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# THE CREDIT WORLD

*The Official Organ of the*  
**RETAIL CREDIT MEN'S  
NATIONAL ASSOCIATION**  
*Incorporated*



HERE must be a reason when an account becomes inactive and the efficient credit manager is always seeking to learn why desirable customers have discontinued buying.

A credit manager should be relieved of minor details so he may follow up this important work.

—D. J. W.

*The Only Magazine in the World  
Specializing in Retail Credits*

VOLUME XV  
NUMBER II



OCTOBER  
1926

THE CENTRAL CLEARING HOUSE FOR CREDIT INFORMATION IS THE  
LIGHTHOUSE OF THE RETAIL TRADE—KEEPING MERCHANTS FROM  
DANGEROUS CREDIT EXTENSION



*The Incomparable*  
**BOOKKEEPING  
 MACHINE**  
*for the Retail Store*



Remington Bookkeeping Machines, in use by  
**BOGGS & BUHL, Pittsburgh, Pa.**

*have improved their service to the customer, increased office efficiency,  
 eliminated errors and effected a substantial reduction in bookkeeping costs.*

Mr. A. N. Fraser, Secretary-Treasurer of Boggs & Buhl, gives the following convincing testimony:

"In 1917, upon the entrance of the United States into the War, and the drafting of practically every one of our men bookkeepers, we adopted accounting machine bookkeeping. After a careful study of the available machines we chose the Remington because of its adaptability, simplicity, ease of operation, and economy from the viewpoint of original cost and upkeep. Wage costs were mounting so fast at that time, especially among typists, that one of the most vital factors in choosing an accounting machine was the ability of the inexperienced operators quickly to master the operation of the machine. Our judgment that the Remington offered exceptional attractiveness from this angle was amply vindicated.

"Another of the attractive features of the Remington was its adaptability. We believed that it could be made to fit our way of doing things and that it was not necessary

to buy a system along with the machine. This we found to be true, as after several months' operation, the system then in use being not entirely satisfactory, we worked in conjunction with the local Remington office and developed in the Boggs & Buhl office the bookkeeping system which to this day is the foundation of the Remington Accounting System.

"We are at the present using twenty-five of these machines in our Accounts Receivable, Accounts Payable and Cashier's Departments and have found them entirely satisfactory in every respect. In addition to improving our service we have made a very substantial saving in our bookkeeping costs."

These machines, installed on your work, will give the same time and cost saving results. We have a model to meet every individual requirement. A letter or phone call to our nearest office will bring a practical demonstration of this machine in its exact application to your own needs.

**REMINGTON TYPEWRITER COMPANY**

*Bookkeeping Machine Department*

374 Broadway

*Branches Everywhere*

New York

**REMINGTON BOOKKEEPING MACHINE**



## A Book You'll Want

### *Complete Proceedings of Group Conferences*

Vice-President Meyer, who was Chairman of the Group Conferences at the Los Angeles Convention, is arranging the reports of the various groups in book form for distribution to members.

The Group Conferences are easily the most interesting features of every National Convention. Here is where the delegates get down to brass tacks and thresh out their vital problems.

If you were at the Convention, you'll immediately recognize the value of this book and order it. If you weren't at the Convention, here's your chance to get, in book form, the gist of the proceedings—valuable information that you cannot obtain in any other way.

Included in this book will be the reports of the following groups:

**Women's Wear  
Men's Clothing  
Boots & Shoes  
Furniture  
Department Stores**

The book is now in preparation but better place your order now so you'll be sure of getting a copy.

**PRICE \$5.00**

*Order from*

**LEOP. L. MEYER  
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HOUSTON, TEXAS**

## *Announcing a Contest for A National Credit Slogan*

We desire a slogan which will bring to the buying public a better respect for credit terms and promote prompt payments. This slogan must tell its story in a few words and be adaptable for use on the collection stationery and statements and bills of all members.

In order to secure the thought of our members in this important matter, we have decided to conduct a slogan contest to close on December 1, 1926, and will award the following prizes for the best slogans submitted:

**First Prize**-----\$50.00  
**Second Prize**-----25.00  
**Third Prize**-----10.00

The Board of Directors will be the judges of the contest and awards will be made before January 1st, 1927.

All members are invited to submit one or more slogans and Local Associations are urged to conduct local contests, sending their selections to the National Office. Contest limited to members only.

Aside from the prize, there is a certain amount of pride in having your slogan adopted by our organization and made of national importance.

Put on your thinking cap and address your letters to—

**Slogan Committee**

**RETAIL CREDIT MEN'S NATIONAL ASSN.  
606 Equitable Bldg.  
ST. LOUIS, MO.**

P. S.—This contest is the suggestion of Mr. B. W. Donohue, Credit Manager, Damschroeder Berry Co., Toledo, Ohio.





# THE CREDIT WORLD

*Official Organ of the*



RETAIL CREDIT MEN'S NATIONAL ASSOCIATION

Issued Monthly

DAVID J. WOODLOCK, *Editor*

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## EDITORIAL

### *Try The Bureau First*

SOME YEARS ago when we were not so well organized and had only a few dependable credit reporting bureaus in the country, there was some excuse for credit men using the direct inquiry in securing credit information.

But now with the development of over 800 credit bureaus as a part of our National activity and the assurance that these bureaus are rendering intelligent and trustworthy information (which is a complete record of the applicant's credit transactions and not the limited information of one store) all credit information should be secured through these bureaus.

We wonder if the retailer using the direct inquiry realizes that he is not practicing the co-operation so necessary to eliminate the undesirable? He gets reports only from firms given as reference by the applicant, who of course never mentions the accounts he did not pay promptly, and by not clearing the application through the bureau he is withholding vital information from the Credit Bureau's records. In other words he is overlooking the one sure source of derogatory information.

There is but one way to promote good credit bureau service, and that is to *get all information from the bureau*. If the applicant is in another city, your local bureau will get it for you from our bureau in that city and it will be complete information. At the same time it will serve to keep both bureaus informed on the customer's movements!

You may owe a courtesy to your customers to answer direct inquiries regarding their credit, but you owe a far greater courtesy, in fact a duty to your organization to discourage the use of the direct inquiry and get credit information from our bureaus.

### *A New Development*

THERE can be no doubt but what the live and prosperous retailer of today looks upon his credit manager as a valuable asset in developing new business and promoting sales to old customers.

It seems, therefore, that it is about time for the credit manager to get away from clerical office detail, cease worrying about his P. & L. accounts, and devote at least part of his time to constructive business promotion as *Sales Manager of Credits*.

There are still merchants who think nothing of taking losses (in the form of mark-downs) of from 10% to 20% on slow moving merchandise but who raise their voices to high Heaven in protest against losses of 1/2 of 1% on credit accounts, on merchandise sold at original mark-up! But the experience of our largest\* and most prosperous retailers is slowly, but surely, converting them to feel they are retarding their turnover by such policy and in this competitive age turnover is necessary to make profits.

Merchants who desire to make their credit departments producers should furnish the credit manager with competent assistants so that he may be able to give his time and thought to increasing business in place of worrying over losses and collections.

Credit managers should seize every opportunity to develop themselves to meet this new feature of credit granting. Become familiar with sales producing methods and convince the merchant that the credit department is the best sales force and greatest creator of good will in any retail establishment!

*David J. Woodlock*

# The Secretary's Page

## Credit Educational Work

Much interest is being taken in educational work by Local Associations.

On September 21st, New York City started a course of Retail Credits in the University of New York. The Associated Retail Credit Men of Kansas City, Missouri, have arranged a Credit Course to extend during the winter months, instructors being the leading credit managers of the city.

The Merchants Association of San Jose, California, has also organized a class for the study of Retail Credit, covering a period of nine months. Classes will be held in the Y. M. C. A., and the lecturers will be credit men of San Jose and adjacent cities.

This activity is very encouraging and we urge all organized locals to give thought to its further development in order to insure for the future a trained corps of credit managers. Merchants should lend their support to this work because it provides retailers with trained credit managers who will be competent to operate their credit departments more economically and efficiently than would untrained men.

## The American Credit Letter Corporation

Many members have received credit inquiries from the American Credit Letter Corporation, 342 Madison Ave., New York City.

This concern issues a Letter of Credit, or Travelers Courtesy Card to persons desiring to use the Hertz "DriveUrself" Auto System.

They are *not* members of the Retail Credit Men's National Association and in order that they may get complete information their inquiries should be referred to our Service Division members.

## A New Feature

Beginning with the December issue of the *Credit World* we will devote two pages to local association activities.

Presidents and secretaries of all locals are invited to furnish the editor with articles for publication. They should be constructive and educational, (preferably relating to matters discussed at local meetings which may interest other members) and *they must reach the National office before the first of the month of issue.*

This can be made a very interesting feature if all will co-operate.

## National Executive Committee Meets

The Executive Committee of the Retail Credit Men's National Association met at National Headquarters in St. Louis on October 4th and 5th. Those present were, President E. B. Heller, Vice President L. L. Meyer, Secretary-Treasurer D. J. Woodlock; Directors Franklin Blackstone and Frank Parker; Director H. C. Sparks as proxy for C. M. Reed and Past President W. T. Snider as proxy for Vice President J. R. Hewitt. Directors Stephen Talkes, A. D. McMullen, and J. R. Truesdale represented the Service Division.

Plans were made for intensive educational work. Managing Director Woodlock was authorized to employ an assistant to relieve him of office detail so he might give more time to research and editorial work.

A Committee composed of L. L. Meyer, Frank Parker, and H. C. Sparks, was appointed to work with the Managing Director in planning a rearrangement of National Office activities with a view to rendering greater individual service to members.

The first week in February, 1927, was set aside as National "Keep Your Credit Good Week" and arrangements made for a publicity campaign of National proportion.

The printing of a new membership roster was authorized.

The contract for printing the *Credit World* was awarded the Skinner and Kennedy Printing Co. This contract begins with the November issue.

A loan was made to the Service Division's Member-Bureau at Miami, Florida, to assist them in rendering credit service until that city is fully recovered from the recent hurricane.

Plans for eight regional conferences were approved.

## Oregon Credit Bureaus Form Association

The Oregon Association of Credit Bureaus was organized September 21, 1926, in Portland, Oregon.

Mrs. Frances McLeod of Marshfield was elected President, E. R. Kenney, Roseburg, Vice President, and J. N. Keller, Portland, Secretary-Treasurer.

Next meeting will be held in conjunction with that of the Oregon Retail Merchants Association at Corvallis, Oregon.

## Our Mid-West Conference

The members of the Retail Credit Men's Association of Sioux City, Iowa, are ready for the Mid-West Conference which meets in their city, October 25th and 26th. Over three hundred credit grantors, merchants, and credit men and women will attend and the sessions will be held in the Hotel Martin which has been turned over in its entirety to the credit men for the two days.

National President E. B. Heller and National Directors C. H. Gimar, R. J. Puckett, F. W. Funk, J. R. Truesdale and D. J. Woodlock will take part in the program which will be of an educational nature with open forum discussions so all may get the benefit of the other fellow's experience.

United States Senator "Dave" Stewart will make the principal talk at the evening banquet on Monday.

Mr. Wayne Cumming, President, and W. C. Slotsky, Secretary of the Retail Credit Men's Association of Sioux City, have charge of the program and in addition to the business sessions have provided many entertainment features.

Sioux City, with a population of 76,000, has 341 members in its Retail Credit Men's Association, which is 100% National.

All retailers and credit managers in the states of Iowa, Kansas, Nebraska, Missouri, South Dakota and Minnesota, *whether members of the Retail Credit Men's National Association or not*, are invited to attend this Conference.

## Regional Conferences

Mid-West—Iowa, Nebraska, Kansas, South Dakota—Sioux City, Iowa, Oct. 25th, 26th, 1926.

Mississippi Valley—Missouri, Illinois, Arkansas—St. Louis, Mo. (date to be announced later).

New York State—Auburn, N. Y., February 21st, 22nd, 1927.

Southern—Birmingham, Ala., March 21st, 22nd, 1927.

North West—Portland, Oregon, May 16th, 17th, 1927.

Members in these districts should arrange to attend these educational meetings held under the supervision of the Retail Credit Men's National Association.



# THE CREDIT WORLD

October, 1926



## The Effect of Installment Selling on the Buying Power of the Public

By L. M. Crosthwaite

Credit Manager, Barker Bros., Los Angeles

Address Delivered at Fourteenth Annual Convention of the R. C. M. N. A., Los Angeles, August 10, 1926

The purpose of this particular subject—and it has a purpose—is to place installment selling in its proper relationship to the other factors that are responsible for American prosperity. The foremost economists of this country, for years, by exhaustive research, have evolved the theory of a business cycle. They have found that, under certain conditions, given a certain condition, the reactions of that condition follow in the logical sequence. They go on the basis that history will repeat itself, but, in the course of their conclusions, I believe they have been prone to see an effect and call it a cause. We will say a man has rheumatism—that is the effect, it isn't the cause; he may have a bad tooth or something. But they see a certain condition and they say that is a cause, when, as a matter of fact, it is an effect from something far different from that.

One of the fundamental difficulties of the business cycle is that, in a falling commodity market, we are apt to have bad times, and, in the case of a rising commodity market, we are apt to have prosperous times. All right, all of our friends, the economists, have waked up to the fact that something is wrong and out of kilter, and the 1926 business cycle is an exceptional one; it has thrown down precedent, we have prosperity and we have a falling commodity market. Why? We are running around in cycles—"cycle, cycle, who has the cycle?" What is it?

Now, because America is prosperous—nothing succeeds like success—, immediately, everybody says, in their own particular line of endeavor, "We are responsible for our prosperity." Labor says, "We are responsible, because we are steadily employing." They forget to explain to you why they are employing. Capital says, "We are prosperous, because we have steady investment for our funds." Yes, but they don't tell you why they have steady investment for their funds. And I could go on and on and on.

The politician says, "We are prosperous because of the laws we have passed." Another set says, "We are prosperous because of prohibition." The



L. M. CROSTHWAITE

banker says, "We are prosperous because of the Federal Reserve and our ability to balance the financial affairs of the country."

Now, the purpose of this discussion is not to detract from any one of those; those are all contributory factors, they are all important; not to take one bit of credit from any one of the things that are causing America prosperity. I want to make a cool, logical analysis of this situation, I want to place credit as the cement that binds them together, that these other contributory factors could not work without this cement, and I want everyone of you to realize the important part you are playing by the proper handling of credit in business, today.

This subject is, necessarily, more or less technical and I am going to read it. I am going to endeavor not to digress any more than is necessary, but I do want to follow this in logical sequence, and I want, not to sell credit but to analyze it, to take up the factors and the logical discussions of its abuse, which is always present in everything,

and analyze it to see if they do amount to anything or not.

The term, "Buying Power," involves fundamentals of the entire field of economics, from production, distribution, finance and all the intermediate theories of distribution to ultimate consumption. Therefore, the discussion must be dealt with, subject to certain broad laws. We must bear in mind that action and reaction are equal in amount and opposite in direction; secondly, that life, business and everything pertaining to it must, of necessity, have the forces of action and reaction properly balanced in order to exist; thirdly, that all business enterprise is of a more or less speculative nature inasmuch as the future cannot be foretold with any degree of certainty; fourth, that nothing is good or bad, valuable or worthless as of itself, but only in comparison to that by which it is measured or judged.

With these general theories in mind, of what is Buying Power composed? By what laws are we able to judge it? What are its component parts? Is it a relative index to good and bad times? If so, what economic laws govern the resulting conditions that we term good and poor business? In order to arrive at the elements involved, we will dispose of them in as simple a way as possible—to avoid digression from the subject—and will say that good times represent the period when the broad, governing laws are in balance; and poor times, the reverse. Of what does Buying Power consist? It may be said that it is represented by any form of individual wealth translated into arbitrary units of value, denominated in terms of dollars for convenience, which, in turn, can be compared by means of this common denominator of value to wealth in its various forms, which permits us to quote wealth in any form in the terms of any other that may be reduced to the universal standard of comparison.

What is wealth? In its broadest sense, we may define it as raw material plus human effort, either mental or



physical, plus distribution to a location where it becomes useful and, therefore, in demand. Wealth, then, may be said to originate from two sources, wages and interest, which is the earnings on accumulated wealth loaned to others for their use. But, the foregoing principles apply to cash business or even to barter and trade, so that we must include in a discussion of installment credit that element of time that elapses before the complete exchange of commodities is effected when various forms of wealth are exchanged.

Let us consider, first, the sources from which Buying Power is derived and the relationship of installment buying to these sources. For the sake of brevity, we say that wealth is received by the individual in return for his labor. These returns are large or small, measured as to periods of time required to earn them in proportion to the efficiency of the labor; and, secondly, the amount or volume of wages received over a period of time depends upon continuous employment; and, returns for labor are profitable or unprofitable when reduced to the terms of value of the commodity the individual may obtain by exchanging his dollar for other forms of wealth that he may desire.

First, as to the efficiency of labor: installment buying permits the wage earner to obtain certain comforts and to attain a standard of living conditions which tend directly to increased efficiency. For instance, the ownership of a home, its proper furnishing as to beauty, practical comfort and entertainment, as well as the provision of labor-saving devices that eliminate drudgery from the home, provides a means of maintaining the maximum earning power over the longest period of time. Installment buying further affects progress of the individual by affording an opportunity for education and further advancement of earning power.

Education on the installment plan should not be passed over lightly, but we will dispose of it by saying that Abraham Lincoln walked many miles to borrow his law books, and if he were alive today he could obtain them by dropping a letter in the mail box, wherever he might live, and pay for them out of his earnings. On the other hand, the theory has been advanced that efficiency is sometimes destroyed by the worry induced by being harassed by creditors and actual buying power is curtailed by loss of equity when the individual becomes too deeply involved in installment debt.

Safeguards against these latter conditions are two-fold. First, wise buying or intelligent spending is promoted by the careful balance of expenditures through budgetary control by the in-

dividual. Installment buying inherently promotes the setting aside of definite amounts each month for specific purposes.

Habit is the strongest factor in life and, once established, is apt to continue. When the home is paid for, we are likely, from force of habit, to set aside the sum formerly used for this purpose and invest it in an automobile, insurance or the bond market. Thus, the very nature of the habit formed is, in itself, a safeguard against excessive future commitments.

The apparent assumption is that unwise or excessive buying is confined to installment business, but I believe that this is untrue, because it may and does occur when purchases are made for cash. The difference is that, usually, cash expenditures are for immediate consumption and comprise as large number of small items of less definite value and a more perishable nature than those that are purchased on installments. Thus, purchases on installments generally represent more or less permanent value, tending to increase the buying power of the individual by the accumulation of additional wealth. In other words, a well defined and properly balanced budget of installment expenditures tends more favorably towards increased buying power than haphazard expenditures on trifles, unrestricted by the control of a budget.

In support of the theory that installment purchases tend toward accumulation and are not out of proportion to income, George A. Van Smith, Vice-President of the Anglo and London Paris Bank, of San Francisco, stated, at the recent convention of the California Bankers' Association, that the outstanding amounts on installment contracts in California for automobiles amount to two hundred and five millions, and home furnishings one hundred and sixty-five millions, with a total of three hundred and seventy millions. This means a per capita obligation of approximately sixty dollars, as compared with approximately forty dollars per individual for the entire country. If we compare this amount of future commitment to the average income of the wage earner, which will approximate fifteen hundred dollars, we will see that we are not seriously involved, because this obligation represents less than three per cent of the gross income, and if you compare it with the wages received by the higher classes of labor, such as plumbers and plasterers, it sinks into insignificance. It seems, therefore, that the accumulative contracts that have been assumed should not cause us any alarm, and, if we can restrict the future obligations to such commodities as will outlive the maturity of the contract, a

period of liquidation should cause very little inconvenience to either the seller or the buyer.

A further safeguard is education, which, however, will never be so universal that the entire public will be endowed with caution at all times. When the abuse of installment credit is practiced by the minority for hazardous speculation rather than investment, then the law of credit will begin to work, acting as its own safeguard. The price of credit for such purposes advances far beyond the price of loaned capital for legitimate purposes, making it difficult to obtain, and thus eliminates the undesirable risk. This could be illustrated by many examples and it is the inexorable working of the law of credit that causes the collapse of unstable real estate booms, with which you are all more or less familiar at this time. In addition to all of these laws, we have the further advantage of human control and the safeguard of such matters by credit men and by the ability of the bankers of the country to restrict the flow of money into improper channels.

We have dealt with the returns of labor from an efficiency standpoint and now we must deal with the effect of installments in creating a demand for labor, because labor, although efficient, is useless if it has no market in which to sell itself. Installment activities create pay rolls for labor and provide a means for capital to bridge the gap between supply and demand and smooth out the curve of seasonal productivity, thus tending to maintain steady employment for labor, as well as capital, which requires continuous use in order to be profitable, regardless of the fluctuation of supply and demand.

Installment buying has assumed the present proportions because the ability to draw contracts for future commitments has created a demand for motor vehicles, buildings, home furnishings—which include furniture, musical instruments, radios, electric labor-saving devices, etc. I will not attempt to quote statistics in the millions and billions that these lines and their allied industries represent, as we are all familiar with them and know them to be more or less incomplete. We do know, however, that in all this tremendous volume of production, installment sales create a market as high as ninety per cent in some of these lines, and that in all of this volume the element of labor for wages paid is very substantial, as labor represents sixty per cent of the cost of home construction; thirty per cent of furniture manufacture and from fifty per cent to ninety-five per cent of motor vehicle production. Thus, installment buying has created more efficient labor

(Continued on Page 31.)



# The Friendly Creditor

By H. D. Shedd, Jr.

Lawyers' Co-Operative Publishing Co., Rochester, N. Y.

Although the existence of most business enterprises depends on the maintenance and efficient operation of a collection department, it seems to be generally true that this is the least heard of and most often neglected end of a business. Magazines devoted to business methods publish a great quantity of articles dealing with production, sales, and advertising, but are, for the most part, singularly silent concerning collection matters.

Perhaps this is due to lack of material to make such an article interesting or, what is more probable, there is lack of interest in the subject itself. Foreigners tell us that we Americans have an obsession for disregarding actuality; that we like happy endings to our plays, photoplays, and stories, and to most of us a discussion of collection matters is possibly too reminiscent of the unpaid bills which are filed in the pigeonhole of the desk at home.

If one could feel, however, that the firms with which he did business were personally interested in him and not, as

is the popular conception, ready to declare him bankrupt at their first opportunity, there might be a more genuine and widespread interest in collection matters.

In the experience of most everyone there is at least one firm which, by its friendly way of presenting an account, has earned his gratitude and respect. To the lawyer, we believe ours is such a firm for, not only do we present our bills in a friendly manner but we have rarely been known to exact our "pound of flesh" where there were extenuating circumstances.

You might say that we were forced to adopt this policy by the very nature of our business; that we do not sell an absolute necessity, and it is true that, except in isolated instances where the customer is situated in a small community and does not have access to a public library or to the libraries of his associates, he can and will do without law books of his own unless we use a little persuasion.

You might also say that because our

business is done largely on an instalment basis we cannot afford to bear down too hard on the customer, which perhaps has a large element of truth in it, but frankly, we believe the biggest reason of all for our desire to be known as the "friendly creditor" is simply that we have tried to put ourselves in the other man's shoes and in so doing have come to believe in this policy.

Do not think us entirely altruistic, however. We are also looking at the matter from a business standpoint, knowing that the great majority of humankind is fundamentally honest, and that when the present bill is paid our customers will think first of us in placing a new order.

As proof of the fundamental honesty of the human race, and of the members of the legal fraternity in particular, we have but to cite the case of the Bancroft-Whitney Company, law publishers of San Francisco.

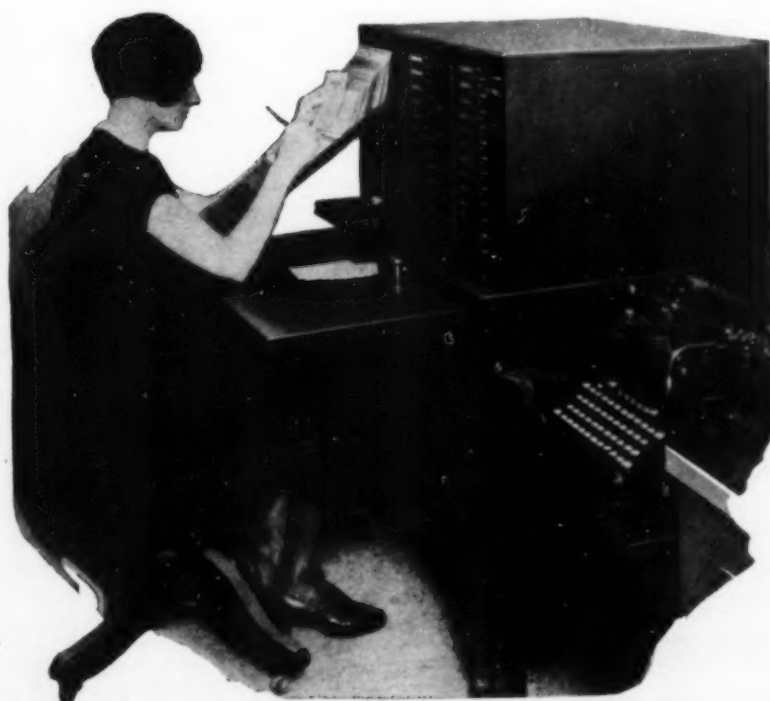
At the time of the great fire in 1906 that company had outstanding accounts in excess of \$200,000.00. The fire destroyed the company's account books, and the San Francisco lawyers whose libraries were burned were absolved from their indebtedness amounting to about \$30,000.00.

A circular letter was sent to all lawyers named in Martindale's legal directory advising of the loss and asking for information as to their accounts. Nine months later nearly \$150,000.00 had been accounted for from lawyers outside of San Francisco and a number of the San Francisco attorneys declined to accept the cancellation of their accounts!

That we have not been the losers by our belief in the honesty of our patrons or by our policy of "friendly creditor" is evidenced by the growth of The Lawyers Co-Operative Publishing Company from its small beginnings in the offices of three Newark, New York, lawyers in 1882 to its present proportions.

To play the role of "friendly creditor," however, does not necessarily mean that one need to be "happy-go-lucky" in collection matters and although we try to keep the personal touch in all our collection efforts, there is a highly organized system back of all our work.

The backbone of this system and one



"The backbone of this system \* \* \* is a card index of the visible variety"

of the things which has helped to make it so successful is a card index of the visible variety.

Although the procedure varies somewhat in each section of our department, the general scheme of operation is the same, and we will describe therefore the kind of record which we use and show how this is keyed up to our system of form letters.

For each account in our ledgers, except the open or current accounts which are handled by the bookkeepers, there is a card in these visible files bearing, besides the customer's name and address, the terms of his contract, the dates and amounts of the instalments (provided the account is paid in instalments), and information as to whether the account is covered by a note, is payable direct or through a bank, etc.

Although this information is noted on the card, the operator can tell at a glance the nature of the account, and the procedure to be followed in handling it, by looking at the flash or color signal on the margin. For instance, one color of signal shows whether the account is covered by a note either payable direct or through a bank. Another shows the accounts which are payable direct. A third designates the special billing accounts, a fourth, the accounts

on which drafts are to be drawn as volumes are shipped, and so on down through the list.

The main body of the card is given over to blank space on which the history of the account may be written. Thus, whenever a letter or a notice is sent, or whenever a letter from the customer is received, the date and contents in condensed form are noted on the card. The completeness, accessibility, and visibility of this form of record are great factors in making for speed and efficiency.

There is nothing unusual about the form of reminder which we send to advise the customer of the maturity of an instalment, this consisting of a printed form or multigraphed letter depending on the exact nature of the account. In cases where the note is paid through a bank we notify the bank by the same medium and enclose a receipt to be delivered to the customer after payment is made.

It is only when an account falls behind, that this uniform procedure is dropped and form letters, each increasing in intensity, are fired at the customer at least once a month until he loosens up. Of course, as accounts fall further behind they naturally require a greater degree of personal attention,

which is given by the correspondents in charge of the various sections. It is when an account has reached the more advanced stages of delinquency that we really earn our right to the title of the "friendly creditor."

It is quite a well-known fact in collection circles that it is not so much what you say as the frequency with which you say it that brings results. Naturally, if a correspondent were required to write personal letters on each account every month there would be an unusual amount of unnecessary effort and time wasted. We, therefore, try to use form letters in all possible cases.

You can readily see how well an index of the visible variety hinges up with a system of numbered form letters. These form letters are keyed to a chart; each letter forming part of a certain series. If a notation on the card indicates that letter number 523 was last sent on the account, letter number 533 will follow it within a prescribed length of time, unless there have been some developments in the case in the meantime. Thus, the follow-up becomes largely mechanical and the correspondent is left free to spend the greater part of his time on accounts which demand study and a particular appeal.

REMARKS		FILE 54973	TERMS: 90041-Loub-\$20.00	
		NAME Geo. W. Stockton	Pd., Bal. payable	
		ADD Little Rock, Ark.	\$20.00 every four months	
		Southern Tr. Bldg.	beginning 11-15-25. Int.	
			at 6% from maturity.	
		CONTRACTED PAYMENTS		
	INT ON PMTS.	AMOUNT OF PAYMENTS	DATE	AMOUNT TO MATURE
				Direct
1-25		20.00	paid	300.00
7-1		30.00	11-25	280.00
		30.00	3-15	250.00
		30.00	7-15	220.00
		30.00	11-15	190.00
		30.00	3-15	160.00
		30.00	7-15	130.00
		30.00	11-15	100.00
		30.00	3-15	70.00
		40.00	7-15	40.00
		300.00		.00

GEO. W. STOCKTON  
LITTLE ROCK, ARK.

1 5 10 15 20 25

In making up our form letters, we have tried very hard to depart from the stereotyped and are continually experimenting with new ways of bringing our accounts to the customer's attention in a forcible but friendly way.

Perhaps one of the most successful of our innovations has been the use of letters on plain paper with a small cut at the top and a title above the cut. The illustrations are, for the most part, of the cartoon variety and we try to hook them up

and in the background his tent and camping paraphernalia, all drawn in cartoon style. The letter is also reproduced.

Holidays and seasons of the year afford particularly good occasions for special letters; the last letter being a good example of the seasonal type and our Christmas greeting a good example of the holiday variety.

The Christmas or New Year's greeting is sent broadcast to all our customers irrespective of race, creed, party prejudice, or the condition of their accounts and makes no mention of the latter if we can avoid it. It is what might be called a "labor of love" and is sent merely as an expression of our good will.

Although the role of "friendly creditor" may at first thought appear to be an expensive one, and although it might be said that such a policy encourages evasion and procrastination on the part of the customer, we have found the added expense quite negligible measured in terms of the results obtained and any tendency the customer might have to make such a policy serve his own ends is soon detected and dealt with accordingly.

After all, most of us are just average people, and react in the same fashion. A smile, a pat on the back, or a good word will go a long way further in gaining one's desired ends than a blunt and uncompromising attitude.

### CLEAN THE SLATE



August 13, 1926

Mr. Charles Swanson  
River Bend, Iowa

Dear Mr. Swanson:

Years ago - perhaps you have forgotten the date - a Co-op man walked into your office and sold you some law books.

That was the beginning of what we hoped would be a period of continued and uninterrupted business relationship.

Since then time has rolled by leaving but the record of that lapsed but not forgotten friendship.

We often wonder why no word comes from you any more.

Can it be that the old debt of \$125.00 which is chalked against you on the Co-op slate, stands in the way of our renewed friendship? If so, why not clean the slate with your check, and let us pick up again the thread of our pleasant relationship?

Very truly yours,

THE LAWYERS CO-OP. PUBLISHING CO.

### YOUR PICTURE



August 13, 1926

Mr. Charles Swanson  
River Bend, Iowa

Dear Mr. Swanson:

What's wrong with this picture?

Not a thing as far as we know, for it shows you enjoying a well-earned vacation.

We do know, however, that if you are like the rest of us, you will return with the pocket book sadly bent; so bent, in fact, that the fish pole in the picture will be straight by comparison.

Won't you please let us have a check before you go? The vacation period will be more enjoyable for both of us.

Very truly yours,

THE LAWYERS CO-OP. PUBLISHING CO.

Past Due \$125.00.

with the reading matter in a humorous or at least semi-humorous fashion. In writing these letters, it seemed to us that the most important thing was to first gain the customer's attention, thus saving our letter from the waste basket, and then to present our case in such a way that we would at least obtain a response to our letter. To do this, we have resorted to the simple precepts of advertising.

An example in this type of letter bears the title "CLEAN THE SLATE" under which is a small cartoon of the Gluyas Williams or Don Herold type showing an unobtrusive little man about to clean a slate on which are the words, "I owe the Co-Ops. \$—." This letter is reproduced.

Another letter of this type which proved to be quite successful was one entitled "YOUR PICTURE" which carried a small cut portraying our customer in the act of pulling a fish from the water



# The President's Message

An impression seems to prevail among the members of this organization that the sole object of the National Association is—"Drive For New Members."

This impression is erroneous and gained its foot-hold because of the fact that many members, perhaps, a majority of our members have not stopped long enough to study the aims and objects of the Association, have not endeavored to ascertain the service that is rendered. You know the old adage—"You can lead a horse to water—but you cannot make him drink." The National Association can preach from house tops the service it is offering its members—but no power on earth can make them use it or even speak of it to others.

Many of our members feel that the amount paid to the National is a contribution to the up-keep of an association which gives very little in return, that it is a very much overpaid organization.

This is also an erroneous conclusion. There is not another organization in this country which plays a more important role in the mercantile world than does the Retail Credit Men's National Association.

Membership is not the first thought—but it requires membership to exploit the work which the Association is doing—it requires membership to carry on the work and it requires membership to make the work possible.

Service to its members is the primary purpose of the Retail Credit Men's National Association. The success achieved by the Association in its fourteen years of existence is the result of the strict adherence to this policy as a cardinal principle by the officers and members of the organization.

**SERVICE**—a constructive, helpful service to the retail credit grantor is not only the first thought, but it is **OUR HIGHEST AIM!** A service that is far reaching in effect. A service that will not only help the credit manager but will spread its beneficial effects to the merchant and the purchasing public as well.

One man cannot develop the ideal service, nor can one man put it into effect and maintain a high degree of efficiency. Neither can the Executive Officers, nor the Board of Directors compel the individual member to appreciate his position, to fully realize that his position is an important one—that he is not an ordinary clerk, but a professional man, a specialist.

When he reaches the point of placing

a high estimate upon his value and importance, he will then start to study the economics of retail credit, particularly as it applies to his own office. When this knowledge has once been gained to

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**"The outstanding advantage of a membership in the National, and one the progressive merchant is not overlooking is, the protection we afford him in credit granting, which is the greatest of business builders. This protection permits the merchant to extend credit liberally, it gives him information on the paying habits of an applicant and saves him from gaining this information through unpleasant personal experience. If the National Association did nothing else, it would be worthy of its existence, it would be worthy of the moral, physical and financial support of every retail merchant in the United States."**

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his satisfaction—he will then feel his importance to such an extent—that he will broadcast his views and unconsciously, will aid the National Association in spreading the truth: That it does not stand only for larger membership—but rather for a higher and better understanding of credit granting and a bigger and more constructive view in the operation of a credit department.

I may be charged with being a theorist! It may be said that the views expressed here are not practical and critics may say: "Still you do not show where the National Association renders a service. Give us something on which we can place our finger and say—the National Association is doing this. Tell us of the advantages of a membership in the National Association."

The advantages of a membership in the National Association are many, a great many of which can be set forth and totaled. These advantages are today being enjoyed profitably, in a financial and educational way, by a large number of our members. On the other hand—there is much the National Association is doing for its members that cannot be set down like a column of figures and totaled.

The outstanding advantage of a membership in the National, and one the progressive merchant is not overlooking is, **THE PROTECTION WE AFFORD HIM** in credit granting, which is the greatest of business builders. This

protection permits the merchant to extend credit liberally, it gives him information on the paying habits of an applicant and saves him from gaining this information through unpleasant personal experience. If the National Association did nothing else, it would be worthy of its existence, it would be worthy of the moral, physical and financial support of every retail merchant in the United States.

To give an intimate idea of the operations of the National, it is necessary to set forth the various units of the organization which function for the merchant's interest.

1. The Credit Service Exchange Division, with its 745 Reporting Bureaus throughout the country, making it possible to obtain a report on the paying habit and the moral hazard of every applicant for credit.

2. The "Tracing Department" for the location of skips. This department locates on an average of 350 skips a month and makes it possible to collect on a large percentage of those located.

3. A Nationalized Collection Department, where accounts sent for collection—are collected and money promptly remitted.

4. A 4-Point System of Collection Letters which collect.

5. A complete file of "aids" in office equipment.

6. Inserts for "speeding up collections."

7. The Credit World.

Aside from the above, the National Association fosters and promotes a "Pay Promptly Campaign" which is directly responsible for educating the "slow pay" to realize his obligations and pay promptly.

These are a few of the advantages upon which you can place your finger and say "The National Association is doing this."

Then again—the National Association is alone responsible for bringing the great army of credit men and women together in closer harmony, forming friendships which have resulted in the establishment of a co-operative spirit which is alone responsible for the reliable interchange of ledger information which has made credit granting safe and sound.

If I have given you the theoretical side I have also given you the practical side as well and the man or woman who entertains the thought that the sole pur-

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# The Bank's Viewpoint of Installment Selling as It Affects the Merchant's Credit

By J. C. Lipman

Vice-President Union Bank & Trust Co., Los Angeles, Calif.

Address Delivered at Fourteenth Annual Convention of the R. C. M. N. A., Los Angeles, August 10, 1926

In preparing this talk, it has been necessary for me to do considerable reading, as, prior to this, I have not been intimately familiar with the installment selling or installment buying. I have read a great many articles in the last thirty days on the subject; the most convincing articles, the articles written by the men who favored it, made me very enthusiastic about it, and those against it, apparently, who could not sell on the installment plan, and some of our economists left you with a very alarmed feeling.

In all these articles, I found that they turned to statistics to a great degree, and I have endeavored, in my talk, to keep away from statistics. So if there is nothing else of value, at least, you will not be burdened by too many figures and facts.

In a subject as new as this one—new in the way that it has only been discussed for the last few years—it is through the discussion and the interchange of ideas that we will obtain our knowledge and our safeguard to protect the future.

So that it is well for the business men and the credit men of this country to continue to discuss this subject, and in that way get their protection and experience in anticipation and in prevention of trouble that might come.

During the war, the Government of the United States naturally had to call on the manufacturers, the jobbers and the merchants, for a tremendous production, to take care of war needs, and with the heavy employment of labor at high wages, there was tremendous spending, which called for additional production to satisfy the wants and needs of the people at large. Coupled with this, was the greatly increased foreign trade.

When the war ended, the heads of the various large corporations of the country who had expanded plants and had increased, very greatly, the number of their employees, had to find ways and means of utilizing the increased plant space and equipment to prevent a general under-employment, which, in its turn, would have caused a serious panic.

During the war, our Government resorted in its sale of billions of dollars

of Liberty Bonds (with the aid of the banks) to the installment plan, and very successfully sold rapidly their Liberty Bonds, by which they obtained money to conduct the war to a successful conclusion.

Now, is it surprising that, faced with a situation of dangers ahead when the war ended, the great business minds of the country should turn to the same method, or methods, of distribution, so as to keep up mass production?

Mass consumption calls for mass production, and with mass production and consumption, you are able to continue your high-wages and to have low costs. During a period of mass consumption and production, you have prosperity.

The best example that I know of to demonstrate the idea of mass production and the low cost is, of course, the automobile. As I am informed, the automobile, today, is thirty to forty per cent less in price than in 1913, and seventy-five per cent of the sales are on the installment plan.

You quite likely consider the automobile a luxury. It is to some extent, and still it has a semi-commercial value. The automobile makes it possible for the family to get out over the week end, in the open spaces, to enjoy the fresh air, and to take their minds off of the work of the previous week. The woman of the family gets away from

the drudgery of the housework, and the man gets his mind off of business.

Now, from a standpoint of production, is not health and happiness, obtained in that way, of value? Does it not make it possible for the man to go to work the following week and do far better work, far more efficient work?

The farmer, who is quite, or possibly, the most important buying factor in this country in total, through the aid of the automobile (which to a great extent he purchases on the installment plan) is able to and has gone into the raw lands and developed the back country; he has developed the entire country through this activity of his, and he has been able to do this, because through his automobile, he has been able to create his own markets. He has been brought nearer to his market, and it is less troublesome for him to reach those markets.

A short time ago, prior to the time that I knew I was going to make this talk, there came to my desk a statement of a large musical instrument house. Their sales were quite tremendous in size, and I noticed, because they had separated their accounts receivables, that a little over ninety per cent of their receivables were installment contracts, and at that time, I was impressed with the fact that you were bringing music into the homes for the parents, and edu-



"Does it not make it possible for the man to \* \* \* do far better work, far more efficient work?"

cation into the homes for the children. I was forcibly impressed with the fact that in being able to pay for a thing, while using it, you were improving the culture and refinement of the home.

In the way of further reduction of drudgery in the home, the household equipments of today (also sold on the installment plan) have helped to give the housewife more time to devote to her children, for their benefit and education.

Is it not to be expected that with the joys that come from the things that are purchased in this way that the wage earner of the family will have to be less restless in his work, will have to be more efficient, and will have to strive to earn more money to keep up the higher standard of living that his family has been used to? Isn't he less liable to listen to the agitator working alongside of him, and in that way, are we not to some extent eliminating to a greater degree the strife between capital and labor?

It becomes necessary for the wage earner, in meeting these installment payments, to budget his income to meet his installments, and in so budgeting his income, cannot we give credit to the intelligence of the average American worker that he will also budget a little to be put in the bank, to be saved as a reserve, in anticipation of illness or the unexpected, so that he can continue with his payments, and meet his unexpected expenses without any distress to his family.

And, after the payments are all made, I do not believe that we should presume that the average man or woman rushes into something else immediately. It is just as possible that a great proportion of them take the amounts, or some portion of the amounts that they have heretofore spent in paying on contracts and deposit those monthly installments in their banks for future use.

The American Bankers Association reports that the savings deposits of the country, last year, increased twenty per cent over the previous year, and I believe for quite a few years there has been a steady increase, year by year, in the business of savings departments.

If you look at the figures of the building and loan associations, and of the insurance companies, you will find that in the last decade their assets have more than doubled, and, as for purchasing homes on the installment plan, the American people are, each year, more and more owning their own homes.

Stock has been sold, bonds have been sold, on the installment plan, and it is meeting with tremendous success. Besides being sold to the employees of corporations by the corporations for which they are working, it (stock) is being sold to the general public. The stock most commonly met throughout the United States, sold to the general public, I believe, is the stock of the public utilities. We see their advertisements in the papers, in the windows of their stores, where they sell stock in their corporations to the public on small monthly payments. In that way, they create reserve capital for the worker, and they are developing in that worker an understanding of capital and a tolerance for capital, so that he feels that he is a part of the corporation, and understands its needs and is willing to help in its development.

Even in the banks, we are selling on the installment plan. A great many of the large cities of the country, today, are selling to the public plans to save in anticipation of having a vacation, or in anticipation of the joy of buying a gift to give to someone else at Christmas time.

In these instances, the depositor saves in advance. He saves from twenty-five cents to five dollars a week for fifty weeks, and receives his check.

Now, when you consider that three hundred and fourteen million dollars were distributed, last year, in only a

few cities of the country to seven million depositors, you realize that the public at large, at the same time as they are buying and paying after they have purchased, are saving in anticipation of spending and have not forgotten the habit. I think, without doubt, as time goes on, you will find that total that I have just quoted increasing tremendously year by year.

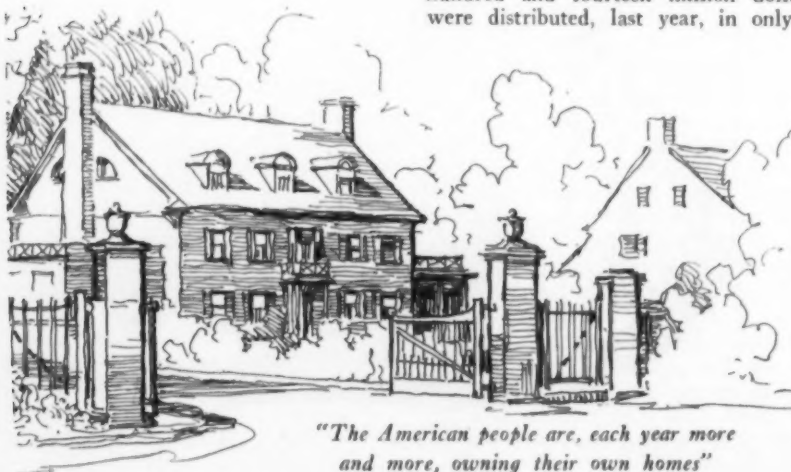
The banks have always financed the manufacturer, the jobber, the merchant, for the production of goods or for goods on his shelf, which will be ultimately sold but which credits cannot be repaid until sales are consummated. Is it not as safe, and just as liquid, to finance the retailer for merchandise which he has already disposed of and from the sales of which he will receive, very definitely, funds with which to pay his bills?

Experience will come as we progress. In the meantime, we must proceed cautiously. Unwise selling means that, in uncertain times, followed by unemployment, not only will our large volume of sales diminish, but the slow-moving inventory would be increased by heavy repossessions, which in their turn would have to compete with the new merchandise on hand. The house without a good foundation will tumble; therefore, we must build well.

The merchant must not oversell his buyer, and the installment sales of goods which are definitely in the luxury class should be held to a minimum, particularly as to time of payments. Credit must be carefully granted, with the customer's ability to pay closely analyzed. The article sold should be of long life, with a sufficient equity belonging to the purchaser to insure that ownership will be felt by him, or, if repossessed, it will sell for the balance due on the contract, or more. Close investigation should be made into the buyer's financial condition and his need for the article; also, how steadily he has been employed, and his qualifications for his position. Again, I say, the seller should be able to turn away sales when in doubt.

It would appear to me that, in order to throw a greater safeguard around the future, an Installment Credit Bureau could be established in each Association, to which the seller would report the salient facts of his sale. The next seller could then telephone the Bureau, confirm the salary that the buyer has stated he is earning, and also how much he is already committed for on the installment plan. It would thus be possible for the dealer to very definitely determine whether the would-be purchaser were buying within his means and whether he would be able comfortably to pay for all of his purchases.

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*"The American people are, each year more and more, owning their own homes"*

# A Study of The Relation of Installment Terms to Mark-Up—

*And of the Items of Expense Incident to Installment Selling*

**By L. Michaels**

*Harris Department Stores, Pittsburgh, Pa.*

*Address Delivered at Fourteenth Annual Convention of the R. C. M. N. A., Los Angeles, August 10, 1926*

The question of Installment Selling is one of National import. Much has been said in condemnation of this modern method of merchandising and much has also been said in commendation. Moreover, the question is one that will continue to be discussed—both pro and con—for years to come and, to my mind, the last word will never be said. Being in the installment selling business, myself, and having very close relations with our business men in the same line, I am in a position to give you some figures that, while they may seem very intricate, really are very interesting.

Since receiving the wire from our worthy President, inviting me to speak at this time, I have given considerable time and thought to the preparation of this paper. I am highly indebted to Mr. M. K. Hearne, Chief Accountant of the Armstrong Company, Business Counselors of Pittsburgh and Chicago, for his able assistance in the compilation of the figures which I will now present to you. These figures are actual and are taken from a group of thirty stores, comprised of regular stores, semi-installment and strictly installment houses and compare favorably with the figures compiled by the Harvard Research Bureau and other recognized statistical organizations.

In the modern retail business, there are stores with terms varying from the strictly cash store to the typical installment house with credit terms from eight to twelve months. However, for the basis of our study, they can be divided into three well defined classifications, the ordinary, everyday department store, the semi-installment store and the strictly installment house.

The ordinary department store does about thirty to forty per cent credit business, with an average collection period of two to two and one-half months on their accounts. This class of store does practically no installment business, though they frequently carry a leased department of such nature on a commission basis. Such departments usually handle washing machines or other electrical appliances.

The semi-installment type of store has become very popular in the last few years, with varying degrees of success. This type of store has a number of departments doing regular cash and open account business, but also has departments which operate on a strictly installment basis. The percentage of charge sales is from sixty to seventy-five per cent of total sales, with a collection period of five to six months. This, of course, is the rate of collection on combined leased and open accounts.

The third class store is strictly installment, with charge sales amounting to eighty-five to ninety-five per cent of total sales. This type of store, which at one time was confined to comparatively few commodities—such as household furnishings, musical instruments and automobiles—now covers a wide range, including such short-lived and seasonal goods as clothing of every description. The terms of credit vary widely, according to the commodity, but the average collection period in the installment house is from eight to twelve months.

For a basis of comparison of the three groups briefly outlined, I have selected a typical store of each group which reflects the average figures of each type of store. These stores will be designated in this paper as the Regular Store, the Semi-Installment and the Strictly Installment. The percentages of expenses are actual in each store, with the exception of management expense, which is equalized in each case, due to the policy of many firms to load this item. For ease of comparison, I have selected three stores, each approximating a million dollar volume, with a realized net profit of 6.2% profit on sales. This gives us a basis for an intelligent study of the subject in hand, namely, the relation of installment terms to mark-up.

The Regular Store, with a sales volume of \$1,000,000 realized a margin of \$303,000.00 or a maintained mark-up of 30.3%. The cost of doing business or total expenses were \$275,000.00, or 27.5% of sales. The net profit thus realized on merchandise was \$28,000.00

or 2.8% of sales. This figure, plus Discounts Earned of \$29,000.00, Bad Debt Collections of \$1,000.00 and Miscellaneous Earnings of \$4,000.00 gives a total net profit of \$62,000.00 or 6.2% of sales.

In comparing the Semi-Installment store with the above figure, we find that the sales and net profit are the same in each store, being \$1,000,000.00 and \$62,000.00 respectively. However, the cost of doing business or total expenses of the Semi-Installment store are \$360,000.00, or 36% of sales as compared to 27.5% in the Regular Store. Thus, the gross profit was \$388,000.00 or 38.8% of sales. This comparison shows that the Semi-Installment Store, in order to make the same net profit as the Regular Store, must maintain a mark-up of 38.8% or 8.5% more than the Regular Store. This increase in mark-up is in direct relation to the terms of sale, as the second store has an average collection period of five to six months, as against two to two and one-half in the first store. The Semi-Installment Store entails a much higher expense, which is analyzed in detail in the latter part of this paper.

We will now compare the Strictly Installment House with Store number one. We, again, have a sales volume of \$1,000,000.00 and a realized net profit of \$62,000.00. However, we find that the total expense of this store is 45.6% as compared to 27.5% in the Regular Store. This means that the Installment House has a gross margin of \$484,000.00, or 48.4% as compared to 38.8% for the Semi-Installment and 30.3% for the Regular Store.

These comparisons show, conclusively, that the terms of sale have a direct and immediate effect upon the mark-up. The moment a store steps into the Semi-Installment class by stretching its terms of credit beyond the thirty to sixty day period, it incurs expenses which force up the mark-up in order to realize a reasonable profit. I think it true that it is practically impossible to materially cut expenses in the modern department store.



Since it is not practical to materially reduce expenses, there are but two other methods by which you can reduce your original mark-up and still realize the same profit. First, you can do so by increasing your volume of business, if this increase can be handled without a proportionate increase of expense. Most stores could handle a ten to twenty per cent increase in business with very small increase in expenses. However, there are many stores that could not materially increase volume without forcing it, that is, advertising heavily or by heavy reductions in price. The second method by which a store can reduce mark-up, without smashing profits, is one which the modern stores are just beginning to realize, and one which, I feel certain, will be a deciding factor

in the successful store of the future. This method is increased turnover of merchandise by proper stock control with corresponding decrease in mark-down losses.

This leads us into a subject which is interesting and of vital importance to the retail store of today, but one which would be neither timely nor logical to discuss in this paper.

My subject was to discuss the relation of installment terms to mark-up and the expenses incidental to installment selling. I have quoted authoritative statistics which show that the Semi-Installment Store, with a collection period of from five to six months, must realize a gross profit of approximately eight per cent more than the ordinary store in order to realize the same net

profit. I have shown that the Strictly Installment house must gross approximately eighteen per cent more than the ordinary store in order to realize the same profit. Of course, I realize that there are variations between these figures, but they quite suffice to indicate the relation of terms to mark-up. I will now take up, briefly, the expenses incurred in installment selling which make it necessary to secure a higher mark-up.

Installment selling immediately increases the expense of the Credit and Collection Departments. This expense is usually very light in the ordinary store, but varies from one to three per cent of sales in the installment house. In the modern installment store, a large

(Continued on Page 24.)

### COMPARATIVE PROFIT & LOSS STATEMENT

	Regular Store		Semi-Installment		Installment	
Sales	\$1,000,000.00					
Cost of Sales	697,000.00	100.0%	\$1,000,000.00	100.0%	\$1,000,000.00	100.0%
GROSS PROFIT	303,000.00	69.7%	612,000.00	61.2%	516,000.00	51.6%
EXPENSES:						
Selling Salary			388,000.00	38.8%	484,000.00	48.4%
Bonus	\$ 73,000.00	7.3%	\$ 61,000.00	6.1%	\$ 56,000.00	5.6%
Buying Expense	10,000.00	1.0%	7,000.00	0.7%	11,000.00	1.3%
Advertising	12,000.00	1.2%	3,000.00	0.3%	2,000.00	0.2%
Window Trimming	39,000.00	3.9%	54,000.00	5.4%	64,000.00	6.4%
Delivery	2,000.00	0.2%	2,000.00	0.2%	3,000.00	0.3%
Freight & Express	9,000.00	0.9%	21,000.00	2.1%	28,000.00	2.8%
Store Supplies	8,000.00	0.8%	20,000.00	2.0%	11,000.00	1.1%
Direct Dept. Expense	3,000.00	0.3%	2,000.00	0.2%	3,000.00	0.3%
Ware House Expense	8,000.00	0.8%	20,000.00	2.0%	7,000.00	0.7%
Work Rooms	2,000.00	0.2%	4,000.00	0.4%		
Total Operating	166,000.00	16.6%	200,000.00	20.0%	190,000.00	19.0%
Rent	26,000.00	2.6%	38,000.00	3.8%	36,000.00	3.6%
Depreciation	10,000.00	1.0%	7,000.00	0.7%	11,000.00	1.1%
Light, Heat & Power	8,000.00	0.8%	7,000.00	0.7%	7,000.00	0.7%
Cleaning	6,000.00	0.6%	5,000.00	0.5%	4,000.00	0.4%
Taxes	5,000.00	0.5%	4,000.00	0.4%	6,000.00	0.6%
Insurance	4,000.00	0.4%	5,000.00	0.5%	9,000.00	0.9%
Total Fixed	59,000.00	5.9%	66,000.00	6.6%	73,000.00	7.3%
General Expenses	7,000.00	0.7%	6,000.00	0.6%	10,000.00	1.0%
Management	12,000.00	1.2%	12,000.00	1.2%	12,000.00	1.2%
Office	15,000.00	1.5%	21,000.00	2.1%	28,000.00	2.8%
Postage & Phones	2,000.00	0.2%	2,000.00	0.2%	4,000.00	0.4%
Interest	9,000.00	0.9%	15,000.00	1.5%	48,000.00	4.8%
Loss on Bad Accounts	3,000.00	0.3%	28,000.00	2.8%	63,000.00	6.3%
Donations	1,000.00	0.1%	1,000.00	0.1%	1,000.00	0.1%
Credit & Collections			5,000.00	0.5%	18,000.00	1.8%
Carfare					1,000.00	0.1%
Legal & Professional Services	1,000.00	0.1%	2,000.00	0.2%	3,000.00	0.3%
Customers Allowance			2,000.00	0.2%	5,000.00	0.5%
Total Overhead	50,000.00	5.0%	94,000.00	9.4%	193,000.00	19.3%
GRAND TOTAL EXPENSES	\$ 275,000.00	27.5%	360,000.00	36.0%	\$ 456,000.00	45.6%
Net Profit on Merchandise	28,000.00	2.8%	28,000.00	2.8%	28,000.00	2.8%
Discounts Earned	29,000.00	2.9%	29,000.00	2.9%	29,000.00	2.9%
Miscellaneous	5,000.00	0.5%	5,000.00	0.5%	5,000.00	0.5%
	\$ 62,000.00	6.2%	\$ 62,000.00	6.2%	\$ 62,000.00	6.2%

Note: Actual percentage averages taken from group of each type. The percentages were applied on \$1,000,000.00 volume for ease of comparison. Management and Discounts earned were equalized in each store.

This is a copy of the chart used in the address of Mr. L. Wickham, of the Harris Department Store of Pittsburgh, to the Annual Convention of the Retail Credit Men's National Association, Los Angeles, August, 1936.



# The Watchman at the Gate

By F. Churchill Crouch

Credit Manager, John Roberts & Co., Utica, N. Y.

*An Address Before the Associated Retail Credit Men of Schenectady, Schenectady, N. Y., Sept. 21, 1926*

In the ancient days in Palestine and in other countries under Roman rule; in the days of wildernesses and of walled cities; in the days when firearms were unknown and much depended on hand to hand conflict, the watchman at the gate of the city held what might be called an ultra-important position.

We do not have to draw very deeply on our imagination to make a comparison between this individual and the credit man of today. Life, interests and human endeavor have not greatly changed but have only become more complex.

Suppose we consider first some of the duties of this official of ancient days who was stationed above the wall, over the gate and behind the moat. In the first place because of the importance of the work and the physical and mental strain involved, the Roman government divided the night into four watches. The Evening Watch was for three hours from six to nine, the Midnight Watch covered the period from nine to twelve, the Cock Crowing Watch from twelve to three and the Morning Watch from three to six.

This watchman's duties were rather limited but his responsibility was heavy. His first duty was to search the surrounding country constantly for signs of either friend or foe. No man who was not far-sighted could hold this position.

In the second place he questioned strangers who wished to enter and third when he was convinced that friends were approaching or those whose presence was desired within the city he sent out an escort to welcome and protect. Fourth, he saw to it that the gates and various outlets of the city were kept carefully closed in order that no information might leak out or desertion from within result and fifth; when danger approached he lighted the flare as a warning.

In drawing a comparison with the credit grantor of today I will reverse the order of these duties and light the flare first. It is high time that some mercantile establishments stopped selling TERMS and sold MERCHANDISE instead. When a firm gets to the point where it places more emphasis on terms than on merchandise, dangers are brought about that are not often recog-

nized until serious damage has been done.

Credit Receivables is an item of operating cost which seldom appears in the budget but it is a cost and should be reckoned with most carefully. Terms are nothing more than what they are intended to be, the measure of credit. Used then as a sales feature it is attacking one of credit's fundamental principles and will play havoc with any business if practiced too widely.

The installment plan has come in for so much discussion during the past few years that most of us hardly know what to think about it. It is still being carried along under a strange momentum altho I believe many firms are endeavoring to put on the brakes as carefully as possible to prevent skidding.

Many firms are coming to the point where they do not handle their own business. This is a peculiar situation. Statisticians tell us that one-third of all installment business in the United States is handled through finance companies and on all this paper there is a carrying charge which varies from 15% to 40%.

You probably have heard that Henry Ford in June this year came out positively against the installment plan. He believes the cash basis is the only sane policy for good business and he states that the "American People no longer BUY but are backed into a corner and SOLD."

What is your opinion about forcing a sale of a \$150.00 article on a family with eleven children and the father earning \$19.00 per week? And another case of placing merchandise with a family having nine children, the father receiving \$15.00 per week and weekly allowances from the Associated Charities of the city? I say such sales are crimes. Not only will they prove unsatisfactory for the store and expensive through collection costs but they work real harm and positive injury to the families themselves.

I do not mean to infer that installment selling is unwise. I believe it very necessary and very helpful in many lines of business. I do mean that common sense should be used and that we should not let sales enthusiasm completely run away with the business. The installment debtors do not realize that by

running bills overdue they are using the merchants' credit for which they do not pay.

We must educate our customers to a realization of the fact that a note given to us is the same kind of a promise as one given the bank and that it must be given the same care. Also that an agreement is an agreement and must be honored. What a pity it is that so many folks today are "Jellyfish"—no backbone—no stability—no reliability, for the truth means little to them.

Now that we have the unpleasant part out of the way we will imagine that the lighted flare of warning has died down and we will go backward in our comparison, considering for a moment desertions from within.

Instead of giving my ideas concerning the subject I would really like to ask each one of you a question. What have you done this year to retain the good will of present and past customers? What attitude do you take when goods are returned as unsatisfactory? Do you generally accept their return and consider that the customer is always right or do you accept the return in such a grudging way that altho not verbally expressed by the customer you realize perfectly well that they are not satisfied with the treatment received and that a feeling of resentment is the result?

It is very difficult sometimes to "kid" ourselves into a generous, big hearted, kindly attitude when a narrow minded, sour, grouchy individual takes an entirely unreasonable attitude and refuses to budge or meet the store half way. But we must smile as much as we can and remember that today is the tomorrow we worried about yesterday.

Suppose we turn our attention now to the escort sent out to give safe conduct to our friends. There are many instances where an outside representative or collector can not adjust a complaint and there is no better plan than to have the Credit Manager go out and make a personal call himself. These instances are only occasional but the customer feels that some special courtesy has been extended and it may perhaps result in a return to the store together with some of her friends. There is no advertising in all of the world as effective as a satisfied customer.

(Continued on Page 28.)

# NATIONAL O.K. H

## THE CHOICE OF JOHN H



Special authorizer's switchboard in credit office  
of The John Shillito Company



A few of Shillito's self-service  
squares, showing National Cash  
Registers and O. K. Charge  
Phones in use.

# THE NATIONAL CASHE

# CHARGE PHONES

## SHILLITO CO. Cincinnati

**I**N changing to the "charge phone" method of authorizing charge sales, on the self-service squares of the main floor, The John Shillito Company, has eliminated delay occasioned by having to send the sales-check to some distant point to be stamped O.K. and returned.

More accurate control is also maintained because the authorizing is done direct from the credit office instead of from a central cash desk in the basement.

With this new arrangement selling squares are connected by phones to a special authorizing desk in the credit department. By simply pressing a button the authorizer can stamp a sales-check which has been inserted in the phone by the salesperson.

*Stores everywhere are changing to this new and better way of authorizing charge sales, because it is faster, gives the credit department more and better control and costs much less to install.*

**REGISTER COMPANY** DAYTON,  
OHIO

# Standardizing Credit Department Operating Costs

By A. S. Jacobs

Credit Manager, Peoples Dry Goods Co., El Paso, Texas

Address Delivered at Fourteenth Annual Convention of the R. C. M. N. A., Los Angeles, August 10, 1926

"What Items Make Up the Cost of Operating a Credit Department and What Can Be Done Toward Standardizing Them?"

In the assignment of this subject, I am sure it was not intended that I consume the allotted time, by reciting minute and unnecessary detail. The numerous items which make up the cost of operating a credit department are too well known, particularly in the billing and audit departments—the charges there are fixed and allow of definite computation. We must have a certain number of employees and we must use a certain quantity of supplies that departmental records be tabulated. The percentage cost under these two headings may be safely estimated at three fourths of one per cent.

Even OVERHEAD, which must include many indeterminate items, may be definitely figured at one and one-fourth per cent, making a combined cost of two per cent for the entire expense of credit operation. There might be a slight variance, but this cost percentage is dependable inasmuch as it represents the result of collaboration with, and critical analysis by, some of the most representative members of this association; men who have made credit, in all its phases, their life's study. Their assistance and co-operation are sincerely appreciated.

The schedule presented you for subsequent discussion is not intended as a perfect instrument; it is only a tentative classification in distribution from which it is hoped there will be, ultimately, developed a standardized form to answer the requirements of a majority of our members.

There are two items included in Overhead that might be of sufficient importance to mention at this time. The first is our expense allowance for attorneys. Our retainer system is possibly a little unusual. We all recognize the necessity of seeking outside assistance, after our personal attempts have proved fruitless. It is evidence of weakness to resort to legal procedure until amicable collection efforts have been exhausted. Obstinate paymasters are not hastened to the collector's goal through suit. It is rather through fear of suit, because

of its undesirable notoriety and family embarrassment. The majority of debtors have nothing to fear, they are judgment proof, particularly in our State, where we have no wage garnishment and there are no limits to homestead exemptions.

## OPERATING COST

### Standardized form

#### Direct Billing Expense:

Billing Clerks  
Ticket Stuffers  
Ledger Control Clerk (Proof Sheet Balancing)  
Ticket Assorting Clerks  
Utility Clerk  
Ledger Head-up Clerk  
Credit Association Reporter  
Manager Mechanical Department

#### General Credit Overhead:

Credit Manager  
Assistant Credit Manager  
Auditing Expense  
Charge Authorization Clerk  
Office Cashiers  
Stenographers (Credit and Collection Departments Only)  
Office Boys  
Annual Legal Retainers  
Credit Association Memberships  
Collectors

#### Supplies:

Monthly Statements  
Ledger Pages  
Proof Sheets  
Postage and Envelopes  
Inter-Monthly Billheads  
Stationery  
Machine Carbon Paper  
Typewriter and Billing Machine Ribbons

Figure Per cent of Billing Expense on Volume of Credit Sales Only . . . .	009/16%
Figure Per cent of General Credit Overhead on Volume of Credit Sales Only . . . . .	014/16%
Figure Per cent of Supplies on Volume of Credit Sales Only . . . . .	003/16%
TOTAL . . . . .	2%

Our system is to employ, direct, for the benefit of the credit and collection department, an attorney or legal firm who will give credit and collection problems the same careful, prompt and efficient attention as our regularly employed store's attorneys give to matters of greater legal importance. We want our letters written at a time and in such manner as we indicate. We want them to work along prescribed lines and in full co-operation with us, so that there will be a coordination of effort. We use our collection attorneys as a persuasive force.

The other item, previously referred to, is our membership expense for credit and collection affiliations. We consider that expense judicious and helpful, because every membership represents some advantage to be gained. That advantage, however, is in proportion to the manner in which we are helpful. These bodies are all co-operative, they are of mutual benefit, dependent upon mutual effort. Each must do his part to make the membership advantageous. Nationally, we get a clearing house for credit and collection problems, through comparison with methods of experience and expert credit men and women, not overlooking benefits derived monthly through close study of the Credit World. We learn from each other's experiences, through verbal expression, correspondence or publication of the methods used.

After a year of unusual activity, during which time President Watson visited over a hundred cities, his conclusions are that the average retail merchant has no fixed credit policy, except to meet any or all competition, and satisfy any demand of the buying public. The first essential of a fixed credit policy is a standardized credit application form, where every applicant must measure up to requirements and prove worthy of credit confidence. The evidence of credit worthiness, or the lack of it, may be established through term of employment, property ownership, obligations assumed through installment purchases, and such other data as our respective local requirements might necessitate.

The most essential element of a fixed credit policy is the owner's confidence



in the credit manager, the granting to him of the same authority in the management of his department as is accorded others of similar responsibility. While I realize that my paper should deal, primarily, with the cost of credit operation, I must lead the thought into other channels, since no one could be convinced of the value of a credit department merely through the presentation of an expense budget.

A credit department can, and will, function importantly through other than strictly credit channels; it is valuable in the development of the store's volume, and, while not generally recognized, must be regarded as part and parcel of the store's prestige—in that it is an important and inseparable part of the administrative policy of the organization. The credit department, to function properly, requires full co-operation and must have the undivided support of the entire personnel of the store, from the President down to the employee of least importance, and this can be best accomplished through the willingness of the credit manager to assist in solving customer's and employees' problems.

Our credit department is accepted as the clearing house for complaints and adjustments, where all may come to express dissatisfaction or displeasure; present grievances, real or fancied; the channel through which necessary relief may be obtained. We reason that a complaint is an obligation and a reflection against the store, and that it becomes a menace if not promptly and satisfactorily explained or adjusted. We feel that the credit department is a logical location for an adjustment bureau. The necessity for adjustment must often be determined from a personal standpoint, when there exists no warranted complaint in merchandise value.

A department manager forms his decision in line with a customer's patronage in his department or on his floor. A credit manager bases his judgment on the necessity of adjustment on the cumulative value of the customer. This arrangement will also tend to reduce the number of complaints by discouraging the development of chronic adjustment seekers. In the event of unsatisfactory adjustment, as must occasionally happen, the customer would experience no embarrassment in subsequent visits to the sales department, since the possibility of personal contact was removed.

Adjustment of complaints is no longer regarded a necessary evil, but rightfully considered an important part of the store's service, a crucial test of salesmanship through the power of re-sale. Conceding satisfactory adjustment through the credit department, we are not justified in charging the amount involved to the sales department, because,



Read these six stickers—they carry money-getting messages

## A Newer—QUICKER Way To Speed Collections

Overdue accounts . . . . statement after statement . . . .  
accounts still unpaid . . . . you wonder what to do . . . .

But try this series of six stickers! Send a statement EVERY TEN DAYS. Attach sticker No. 1 to the first statement, No. 2 to the second, etc.—and watch the accounts pay up.

No bull-doing tactics—nothing to offend your customer—just a friendly reminder worked out in a perfect system keeping YOUR bill before your customer's memory.

Order the whole system—it only costs \$2.00 to try it out—then use it according to instructions for best results.

Six stickers to set as shown, printed in two colors—text emblem and inside border in black, wide outer border in bright blue. Packed 250 sets of six in strong envelopes, with full instructions for using.

—And they do collect. . . . That's why OVER TWO MILLIONS have been used by credit men to speed collections.

250 sets of six (1500 in all) \$2.00

1000 of any one sticker \$2.00

### Retail Credit Men's National Association

Equitable Bldg.

Saint Louis

had the request for adjustment been warranted, it would have been made without knowledge or assistance. We take care of this through an Office Allowance Account. Last, but not least important, is the necessity for adjustment through correspondence, or where circumstances do not permit personal contact. You may be of particular benefit in this way to your Mail Order Department. Charge accounts are often reinstated through satisfactory adjustment. You must be sufficiently expert in letter writing to answer every requirement.

With regard to the importance of the credit department in its relation to store management. Without attempt to exaggerate personal importance, credit managers are the logical executives with whom owners may discuss matters of store management, and the increase of volume, because they are not directly responsible for sales results. The credit department is particularly of value in the transfer of slow moving merchandise from the shelf to the customer's account. On the other hand, the credit manager must show determination in defending credit principle and in resisting volume when attempt is made through uninviting credit channels.

The credit man must have well conceived ideas of business stimulation, but he must never become lax in credit principle. The store owner must realize that the transfer of merchandise from the shelf to accounts receivable is, at best, only a change in commodity. Whether the merchandise is not sold or an account is not collected, it matters little whether you call it a loss or a reduction in assets, the results are the same. The turnover in credit volume should be given the same consideration as the turnover in merchandise. It cannot be successfully contradicted that the successful financing of the entire organization depends, to an appreciable extent, upon collection results.

The credit manager must be a successful business manager, working in unison and toward a common goal with the officers and executives of his company, doing his share in helping to carry through the fixed policies of his company, sufficiently well posted that his advice and counsel might be used in advancing constructive ideas for the greater success of the store. He must be regarded as helpful in the stimulation of sales and assist in cost reduction through greater volume.

Sell your department on the principle that the major portion of credit expense

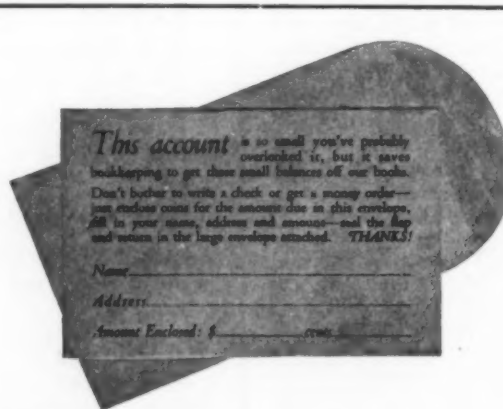
is an investment; that a budget of standardized expense will standardize activities when judiciously supervised; that for a certain expenditure, certain results are possible of attainment; that through enlarged and other than usual avenues, additional benefits might be expected, gradually bringing your department up to its proper gauge of importance. The time has passed when a credit department might be regarded solely as an item of expense, and to be suffered in protest along with other unavoidable and undesirable overhead.

It has been established that a credit department may be operated successfully on a basis of two per cent. Do you realize the importance of this statement when compared with the percentage cost of other nonselling departments? Those other nonselling departments function along on tract channels, they perform only the service that is expected of them. There is not, nor could there be any valuable by-produce benefits. The credit department is continually developing by-products that are of actual assistance to the management. A credit department is justified in its volume of expense in proportion to its usefulness, just as a sales department is justified in its volume of investment in proportion to its sales and turnover.

In conclusion, I want to touch upon a credit manager's personal qualifica-

tions. He must be cautious, yet courageous; he must be firm, yet not arbitrary; he must be determined, but not obstinate; he must practice and inspire frankness; he must be kind and sympathetic and show willingness to extend a helping hand when circumstances necessitate; he must be tactful and have infinite patience. He must establish, beyond question of doubt, the reputation of being true to every trust. Above all, be loyal—"An ounce of loyalty is worth a pound of cleverness." In addition, you must possess what is recognized as business passion, that which makes men love business, and gives them vision of commercial supremacy. Be the last to acknowledge you are beaten. It takes brain effort to accomplish a failure, and that effort may be used to better advantage. Have confidence and enthusiasm to do that which you want to do, to the extent that your courage and your confidence be unshakable, then results will be triumphant, and you will realize your desires.

This, to my mind, represents the attributes necessary for the perfect executive head, and what must, in the last analysis, be the objective of every worthwhile credit manager, that he be regarded with the proper degree of importance in the organization he serves. (Applause.)



### These Little Envelopes Collect Little Balances

Here's an inexpensive method for the collection of small balances. You know how costly and exasperating those small balances are! "Too small," the customer thinks, "too much bother to write a check for a few cents."

So you have to send statement after statement—your bookkeepers have to

carry these small balances over month after month—until the cost of collection exceeds their value!

Make it easy for your customers to pay small amounts—send one of these reminder-envelopes with each small balance statement and eliminate collection worry.

Price \$4.75 per 1000

Order from the National Office

# Report of Resolutions Committee

By **B. W. Donohar**  
Toledo, Ohio, Chairman

*At Fourteenth Annual Convention of the R. C. M. N. A., Los Angeles, August 10, 1926*

**MR. DONOHER:** Mr. President and members of the convention: Your Resolutions Committee reports as follows:

## **Federal Reserve System**

"WHEREAS, The Federal Reserve Banking System of the United States has demonstrated its usefulness and effectiveness in the following ways:

"It has given business greater confidence in the ability of the banks to care for credit needs.

"It has introduced an elastic currency and eliminated money panics.

"It has eliminated extreme seasonal fluctuations in rates of interest.

"It has brought business safely through the war and post-war crises.

"It has saved millions of dollars to business through its par payment system for check collection.

"It has made the gold reserve more effective as a basis for credit extension in times of extraordinary demand.

"It has aided in the financing of foreign and domestic trade by developing a discount market for acceptances.

"It has provided a means for handling huge financial operations of the Government, without interference with business.

"It has aided in the re-establishment of the gold standard abroad.

"It has given us an experienced banking organization which will assist us in meeting the future exigencies of business at home and abroad, with courage and confidence.

"WHEREAS, We believe that if legislating for a further continuance of the charter were not taken up until shortly before the expiration of the present charter, and there was a question as to its renewal or the continuance of the Federal Reserve System, there would be some apprehension on the part of business and some holding back of anticipated expansion until there was a definite decision to continue the system; therefore,

"BE IT RESOLVED, That we, the Retail Credit Men's National Association, propose to the House of Representatives and to the Senate of the United States that some definite steps be taken toward the renewal of the charter, which expires November 14, 1934."

**CHAIRMAN WATSON:** What is the will of the convention as regards this resolution?

**MR. KRUSE:** I move the adoption, Mr. President.

Motion seconded by Mr. Baum and carried.

## **Resolution of Thanks To Spokane and Eastern Trust Co.**

"WHEREAS, The Spokane and Eastern Trust Company, of Spokane, Washington, have given so graciously and liberally of the time of Mr. Ralph W. Watson, in order that he might be the better enabled to devote his time to the interests of the National Association; therefore,

"BE IT RESOLVED, That the National Association of Retail Credit Men, in convention assembled, do hereby express their appreciation of this service rendered, and tender their thanks to the Spokane and Eastern Trust Company; and

"BE IT FURTHER RESOLVED, That a copy of this resolution be spread upon the minutes and a copy sent to the Spokane and Eastern Trust Company."

**CHAIRMAN WATSON:** What is your pleasure?

**MR. KARPELES:** Mr. President, I move the adoption.

Motion seconded and carried.

**CHAIRMAN WATSON:** I am sure my firm will greatly appreciate that.

## **Resolution of Sympathy in Death of Mrs. Driver**

"WHEREAS, It has come to the attention of the delegates of this convention that the absence of Mr. G. C. Driver, National Director from Cleveland, is unavoidable, owing to the death of his wife; therefore,

"BE IT RESOLVED, That this convention spread upon its minutes an expression of sympathy, and a copy thereof be sent to Mr. Driver."

**CHAIRMAN WATSON:** What is your pleasure?

**MR. BAUM:** I move the resolution be adopted.

Motion seconded and carried.

## **Prompt Collection Policy**

"WHEREAS, After a thorough discussion of Mr. George A. Lawo's address,

it was the unanimous opinion of the delegates present that a system of prompt collections increases the volume of charge business; now, therefore,

"BE IT RESOLVED, That the convention go on record as favoring the policy outlined above."

**MR. MARSH:** I move the adoption of the resolution.

Motion seconded and carried.

## **Installment Selling**

"WHEREAS, By statistics presented and sound arguments advanced by Mr. L. M. Crosthwaite, and after lengthy discussion of his subject by delegates in open forum, and also by rising vote, it is the decision of this convention that installment selling increases the buying power of the public; now, therefore,

"BE IT RESOLVED, That this convention go on record as favoring installment selling, when—and only when—such selling is supervised by a competent credit manager and the life of the contract be not extended to the point where depreciation equals the value of articles purchased."

**MR. LYNCH:** I move the adoption of that resolution.

Motion seconded and carried.

## **Resolution of Thanks to Los Angeles Local**

"WHEREAS, The Retail Merchants Credit Association of Los Angeles has so royally entertained the National Association delegates and provided such splendid quarters and facilities for the convention; now, therefore,

"BE IT RESOLVED, That we express our thanks and appreciation to Mr. L. M. Crosthwaite, Chairman, and Mr. J. H. VanDeWater, General Manager of the Bureau, together with their associates and committeemen, for the careful consideration given by them to every detail affecting our pleasure and comfort, and for the unusual provision made for the entertainment of our ladies during our business sessions."

**CHAIRMAN WATSON:** What is your pleasure?

**MR. BERRY:** I move the adoption of the resolution.

Motion seconded and carried unanimously. (Rising applause.)



MR. CROSTHWAITE: I will say, for myself and Van De Water, that it has been a great pleasure. (Applause.)

### Convention Song Leader

"WHEREAS, Our song leader, 'pepped' us up and placed us in a very happy frame of mind before proceeding to weighty subjects, thereby better fitting us to carry on; now, therefore,

"BE IT RESOLVED, That we hereby express our appreciation to Mr. Hugo Kirchhofer, our cheerful song leader."

MR. KRUSE: I move the adoption of the resolution.

Motion seconded and carried.

### Collection Letters

"WHEREAS, It has become apparent that there is a need in our membership for the best forms of collection letters; therefore,

"BE IT RESOLVED, That this Committee recommends that the National Office write one hundred of its members to submit copies of collection letters from which the National Office will make selections to be published in book form and sold to the membership."

MR. GRADEN: I move the adoption of the resolution.

Motion seconded and carried.

### List of Collection Agencies

"WHEREAS, It has come to the attention of the National Association that numbers of our members have suffered losses at the hands of irresponsible collection agencies; therefore,

"BE IT RESOLVED, That the National Office prepare a list of reputable bonded collection agencies and furnish same to the members."

CHAIRMAN WATSON: You have heard the resolution, what is your pleasure?

MR. GRADEN: I move the adoption.

Motion seconded.

MR. KARPELES: Mr. President, I think there was some discussion on that matter. I do not remember where that was taken up, but it was the consensus of opinion that the bond be not required. I would like to amend the resolution to leave out the word "bonded."

MRS. JENSEN (Richmond): I second that. That was taken up at the Credit Bureau Meeting, and the point was brought out that the National should provide a blanket bond to cover that.

CHAIRMAN WATSON: Is that the idea of that?

SECRETARY WOODLOCK: Mr.

President, as I understand this resolution, and from having a discussion of it in the Committee, I believe it covers the point you have in mind. It does not say they will have to have an additional bond; it says they are "bonded collection agencies," and if your Service Division passed a resolution requiring a bonded collection department (interrupted)

MRS. JENSEN: They suggested that the National bond them.

SECRETARY WOODLOCK: It does not make any difference who bonds them, they are bonded.

CHAIRMAN WATSON: We have a resolution before the house and a proposed amendment that the word "bonded" be omitted. The motion to amend was seconded, and the amendment is now before the house. Are there any remarks?

MR. GRADEN: I can see a lot of trouble ahead, if great care is not exercised in the selection of those collection agencies. My experience has been that it is difficult to find which are responsible and which are not, and especially through the National Association.

CHAIRMAN WATSON: You are debating the main issue, rather than the amendment. The omission of the word "bonded" is before the house.

MR. GRADEN: I want to show that that word "bonded" is important and should have consideration before being ruled out, and I am strongly in favor of the word "bonded." I think the word is properly in the resolution.

MR. BRINKMAN: I wish to support the words of the gentleman.

MR. TAYLOR: By eliminating the word "bonded" we might as well throw out the resolution entirely; we might as well do as we have in the past. We find the only way to get protection throughout the States, for the merchants and our bureaus, is to have some bonded requirements.

CHAIRMAN WATSON: Thank you, Mr. Taylor. We will vote on the amendment. Those in favor of eliminating the word "bonded," please say, "Aye," opposed, "No."

Amendment lost.

Now we will vote on the original motion as offered, if there is no further debate. Those in favor of the resolution, say, "Aye," opposed, "No."

Resolution adopted.

### The National Bankruptcy Act

"WHEREAS, The need for amending the National Bankruptcy Act, owing to abuses which have crept into the administration and interpretation of said Act; and

"WHEREAS, The Wholesalers Na-

tional Credit Association have an active committee now at work recommending certain amendments to said Act; therefore,

"BE IT RESOLVED, That the National Association appoint a Committee to co-operate with the Wholesalers' Association."

MR. TALKES: I move the adoption of that resolution.

Motion seconded and carried.

### The Snoozer

"WHEREAS, The 'Snoozer' has become such a valuable adjunct to our conventions; therefore,

"BE IT RESOLVED, That this convention extend its unstinted praise to the management of the 'Snoozer' for their untiring efforts to both amuse and instruct us concerning the activities of the convention and its delegates."

MR. KARPELES: I move the adoption of the resolution.

Motion seconded and carried.

### The Convention Hotel

"WHEREAS, The management of this hotel (The Ambassador) has made us feel so comfortable and at home, in their untiring efforts to minister to our wants; therefore,

"BE IT RESOLVED, That we extend to them our thanks and grateful appreciation for the many courtesies received at their hands."

MR. BAUM: I move the adoption of the resolution.

Motion seconded and carried.

Resolutions signed by the Resolutions Committee: Messrs. Fred A. Thompson, Chairman, B. W. Donohoe, E. W. Knapp, Russell Fish and Max Lange.

CHAIRMAN WATSON: Thank you, Mr. Donohoe.

SECRETARY WOODLOCK: Mr. President, here is an additional resolution that was passed yesterday at the meeting of the convention in the "Coconut Grove," too late to give it to the Committee. It was mentioned in the report of the Legislative Committee, and it was moved that a resolution of thanks be passed, thanking Mr. Andrew Mellon, Secretary of the Treasury, for his action in exacting the employees of the Treasury Department to pay their bills promptly. The employees of this Department are required to pay their bills, or they will be discharged. The convention voted a letter of thanks to be sent to Mr. Mellon, and Mr. Talkes will submit that.

CHAIRMAN WATSON: What is your pleasure, gentlemen?

MR. BAUM: I move that it be adopted.

Motion seconded and carried.

# Report of Committee on By-Laws

By Frank Batty

San Francisco, California, Secretary

At Fourteenth Annual Convention of the R. C. M. N. A., Los Angeles, August 10, 1926

## "Article 1—President"

"Section 1(a) Following the last word, 'Committees,' insert, 'Of which he shall be a member ex-officio. He shall also be a member of the Board of Control of the Credit Service Division,' making the section read as follows:

"Section 1(a); The President shall preside at the annual conventions of the Association and all meetings of the Board of Directors and Executive Committee held during his term of office, and be Chief Executive Officer, exercising a general supervision over the interest and welfare of the Association. He shall appoint the standing committees and fill the vacancies occurring upon such committees, of which he shall be a member ex-officio. He shall also be a member of the Board of Control of the Credit Service Exchange Division."

CHAIRMAN WATSON: What is your pleasure regarding this proposed amendment?

MR. BAUM: I move the adoption. Motion seconded and carried.

## "Article 2—Secretary"

"Following the last word 'advance,' first paragraph, insert 'and he shall also be a member of the Board of Control of the Credit Service Exchange Division.'"

CHAIRMAN WATSON: The purpose of that is similar to the previous one, only it refers to the Secretary-Treasurer, makes the Secretary-Treasurer a member of the Board of Control of the Service Division. What is your pleasure?

MR. GRADEN: I move the adoption.

Motion seconded and carried.

## "Article 5—Standing Committees"

"Change present Section 2 to Section 3 and insert a new section to be known as Section 2, to read as follows:

"Section 2: It shall be the duty of the Finance Committee to prepare an annual budget which shall be based upon the receipts and disbursements of the preceding year, together with a program of activities for the current year,

which shall be furnished the Committee by the President."

"Section 2 (a): No expenditures shall be made not provided within the budget, except upon authority of the Board of Directors or the Executive Committee."



FRANK BATTY

CHAIRMAN WATSON: You have heard the proposed By-Law, what is your pleasure?

MR. BRINKMAN: I move the adoption.

Seconded by Mr. Clifton, of Oakland, and carried.

## "Article 6—Regional Conferences"

"The Board of Directors shall divide the States into Regional Conference Districts and shall promote and foster an annual meeting of the Credit Grantors in each district, to be known as a Regional Conference of the Retail Credit Men's National Association. Such meetings shall be held under the supervision of the Retail Credit Men's National Association, at a place to be selected by the respective Conferences, and at a time approved by the President or the Secretary of the Retail Credit Men's National Association."

CHAIRMAN WATSON: What is your pleasure on this proposed By-Law?

MR. CONNER: I move the adoption.

Seconded by Mr. Marsh, of Minnesota.

MR. GRADEN: Mr. Chairman, I notice in that resolution a proviso that the National Association shall set the date. I believe that the constitution of the Northwestern Conference provides that it shall set the date. There would be a conflict.

CHAIRMAN WATSON: Not necessarily. The National Office would never make any arrangement that would conflict.

SECRETARY WOODLOCK: The reason for that is, we had four conferences meeting during the same week, and it was impossible for your National Officers to be at every one of them, and we wanted to arrange the dates so there would be no conflict.

CHAIRMAN WATSON: Any further question or debate? If not, those in favor, say, "Aye," opposed, "No."

Motion carried.

MR. BATTY: The present Article 6 and all subsequent articles shall be moved up one number.

MR. BAUM: I move that be done. Motion seconded and carried.

## Constitution. Article 10—Officers and Directors

"Insert new paragraph to be known as Article 10, Section 2-c, to read as follows:

"ARTICLE 10—Section 2-c. Each member of the Board of Directors shall render a report to the President not later than August 1st of each year, setting forth his activities during the year."

MR. BRINKMAN: I move the adoption of that paragraph.

Motion seconded and carried.

MR. BATTY: That completes the report, Mr. President. (Applause.)

The Committee tenders its thanks to Messrs. George A. Lawo and J. R. Hewitt for their time and assistance in sitting with the Committee, in an advisory capacity.

Report signed by the Committee, Messrs. E. B. Heller, Chairman, W. H. Gray, William Slotsky and Frank Batty, Secretary.

## A Study of Relation of Installment Terms to Mark-Up

(Continued from Page 14.)

corps of collectors are necessary for outside calls. Studies, as to the cost of such collections, have been made and the cost per dollar collected in this manner is high. However, there is an intangible element which should not be overlooked, as many otherwise slow customers come in promptly, rather than be embarrassed by a collector.

"Losses from Bad Debts" is the heaviest single item of expense incurred in installment selling. This item varies from three to eight per cent of sales, as compared to less than one per cent in the ordinary store.

Another item which bulks very heavy in long term selling is Interest Expense. The Accounts Receivable of an Installment House, doing \$1,000,000.00 sales volume, average from \$150,000.00 to \$200,000.00 more than a store of the ordinary type doing the same volume. The Installment House must either borrow heavily to carry so many accounts,

or else have a much greater capital investment. The interest should be computed whether it be borrowed or owned capital. Of course, there is much controversy among accountants over the question of interest on invested capital. However, the fact remains that the greater the capital, the greater the profit must be in order to realize the same net percentage.

Other expenses incident to installment selling, but of lesser importance than those just discussed, are, increased Office Expense, Postage and Phones, Carfares for Collectors, Legal and Professional Fees and Store Supplies. It is easily understandable why such expenses are greater, since the time in handling customers' accounts, the number of stenographers, the office supplies and many other smaller items are materially increased.

Advertising is usually heavier in Installment Houses, though this expense is one which can be controlled by the man-

agement to a much greater degree than the others.

There are really but two of these items of expense which the management can materially reduce. Advertising can be budgeted at any figure desired by the management. Whether it pays to reduce it, is a problem for the individual store. Of course, advertising may be carried to the point where the returns are not commensurate with the increased costs, in which case it may be profitably reduced.

The other item, in which a saving should be possible, is the startling percentage of bad debt losses. This is a direct problem of the credit man and is one which deserves all the time and thought he can devote to it.

Ladies and Gentlemen, I have covered the subject before me as thoroughly as possible—within the short time allotted me. I have distributed comparative charts of stores in each classification showing the items of sales, gross margin and expenses in detail. If there are any of these items which are not clear to you, I will be only too glad to enlighten you to the best of my ability. (Applause.)

## Modern Business English

By A. C. Babenroth, Ph.D.

Assistant Professor of English, Columbia University and Authority on Commercial Correspondence

"Modern Business English" is based on the actual letters of many of the most progressive houses in America. It covers practically every situation and problem which can be analyzed and solved by writing.

In interesting style, the book takes up each step used in properly handling inquiries, orders adjustments, complaints, applications, reports, collections and sales.

### Collection Letters

Just as a good sales letter sells goods, so does a good collection letter collect money. Here, in full detail, are presented reasons why one should avoid "bunk" and be specific and sincere but cheerful. The many appeals include those of self-interest, pride, and firmness, and are lucidly displayed. As a specific feature, the discussion of collection letters to women is taken up.

### Adjustments and Complaints

The reason why many firms actually solicit complaints and the manner in which complaints are used to build good-will and to reopen accounts are covered. One of many features of immediate value to any business is—"The buyer to blame, claim granted" and "The buyer to blame, claim refused."

### Business Reports

The important points to be considered in writing a report based upon an examination of involved statistical data or of periodic progress are made clear.

### Sales Letters

Under this topic, the book takes up in logical order each step necessary to build a letter which will accomplish its primary purpose—to make sales. It shows when to use a buoyant, jaunty, juvenile, conservative, or simple tone and gives the reasons. Follow-up, wear-out, and campaign series of letters are included, together with valuable comments on timing the series. Mailing lists are discussed.

466 Pages 6x9 inches—\$4.00

Order Your Copy From

**Retail Credit Men's National Association**  
St. Louis, Missouri



# Installment Plan the Logical Outcome of Competition

By Bryant W. Griffin

*Advertising Manager, National Newark & Essex Banking Company, Newark, New Jersey*

*Author "Installment Sales and Collections"*

The tremendous increase in the installment business is alarming some bankers and demanding attention from all of them. Bankers and insurance men were greatly alarmed when installment sales began to become common, but nevertheless, people have been able to buy the larger things on the installment plan and insurance and savings have continued to increase all the more rapidly. Come to think of it, both insurance and savings are based on the installment idea in themselves.

The dangers of installment selling were well portrayed recently in an article by Prof. James E. Moffat, of the Department of Economics and Sociology of Indiana University. But whether the installment plan is a boon or a menace, it is here to stay, and the bankers, to keep abreast of competition, cannot ignore it.

Appearing in the American Bankers' Association Journal recently, and prepared by C. C. Hanch, general manager of the National Association of Finance Companies, is a survey for last year, which shows that more than three billion dollars worth of new automobiles were sold on the installment plan in 1925. About two billion represented the total amount of deferred payment on new cars, on which the total down payments were one billion dollars. Mr. Hanch estimated that the total amount of automobile paper outstanding at any given time during 1925 was one and a half billion dollars.

And E. M. Skinner says in "Credits and Collections:"

"Only during the last ten years has the installment business assumed proportions sufficient to make the collection of such accounts a work equal to, if not surpassing in importance, the collection of orthodox open accounts. 'Your credit is good with us,' is boldly advertised in all lines. There is not a town in the United States where furniture cannot be purchased by the newly-wed with a comparatively small cash payment. A dollar will bring a talking machine into the apartment. Pianos, talking ma-

chines, diamonds, furs, clothes, automobiles, electrical household goods, all types of machinery and equipment, stocks and bonds, houses and cooperative apartments—and even charities can be arranged on the installment plan."

This plan has simply created business. The automobile salesman has an easy answer for the man who has only \$200, but hopes to have a car some day. A demonstration ride and the car is sold. The larger part of the articles sold on the installment plan would not be sold, and other uses for the money would likely be found if one had to wait to accumulate \$800 for a piano, or \$15,000 for a house, before he could buy.

The extent and, on the other hand, the blessings of the installment plan are realized as one sees the procession of cars leaving the city; three out of four being bought on the time-payment plan. The small towns, as it becomes twilight, are entertained by radios and victrolas, "dollar-down, balance monthly." Fortunate and myriad are the men who are buying their houses, "balance like rent."

Selling for cash is ideal, from the merchant's point of view. It is undeniably the cheapest and safest way. Competition, however, makes it impracticable to sell many kinds of merchandise for cash only. Credit is generally demanded, or expected by the buyer, and credit accommodation thus becomes a selling point. Of course, it is a factor in the cost of the goods, because of the book-keeping it entails. And it introduces an element of risk to the seller, which is also figured in the cost to the buyer.

These things are generally recognized, but a large part of the buying public prefers to pay the price, because of the convenience. Naturally the cost of credit extension is kept down to the minimum by the same competition that created it.

But an installment house has one tremendous advantage over its competitors who are selling the same product for cash, or on short terms. Outside the limit of the competitor's market, but within the limit of safety, there lies an immense market for the installment

business. Granting that the cash business is the merchant's first choice, one who overlooks the possibilities of this market beyond, is shut off from a rich source of profit. This applies, of course, to those who are dealing in commodities which can safely be sold on long terms.

A piano concern, for instance, that attempts to sell at retail for cash only, could hardly compete with one offering similar pianos on long terms. As a matter of fact, almost every piano company will arrange for time payments on request, even if it does not sell chiefly on this plan. This is also true of automobile dealers, who generally recognize that they must use one of the time payment plans provided by the various financing companies, in order to cover the maximum market.

It will be seen that the installment plan is the logical outcome of competition in certain lines of business. Carefully operated, this plan is a safe and profitable means of reaching a market that would not otherwise be available. The advantages to the seller are obvious. He is capitalizing the character and earning power of his customers.

Beyond question the installment business offers increased opportunity to both buyer and seller. To the buyer, immediate possession and enjoyment of much that might never materialize for him without the free aid of the conditional sales contract. To the sellers, the opportunity for increased business and greater profit on the installment plan.

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## CREDIT MANAGER

is seeking new connection. Twelve years experience with present employer, a large Pacific Coast department store. Want a permanent position (Pacific Coast desired) where ability, initiative, tact and results are required.

Address C. S. W., c/o Credit World.

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# The 4-Point System Collects!

## Read the Record of Results on Opposite Page

Here are the three letters and the forwarding blank comprising the 4-Point Collection System. Durable bound in a loose leaf binder—ready to use.

Note perforated stub at right, to be filled in, torn off, and retained in your files for your record.

Notice, at right how letters are arranged so you can fill in debtor's name and address, date, amount and your own name and address.

**No. 1**

Fill in this stub, tear it out, and file it with the letter to the debtor after this letter is mailed.

**COLLECTION RECORD**  
(Letter No. 1)

Name Mr. John Doe  
Address 5018 So. Main Ave.  
Amount \$44.00  
Letter No. 1 sent April 30, 1935

**Service Division**  
**Retail Credit Men's National Association**  
Local Organization and Member in all parts of U.S.A.  
Executive Office  
Saint Louis

**Collection Department**

April 30, 1935  
Referring to account of:  
Smith, Brown & Co.  
1408 Blank Avenue  
St. Louis City, S. M.  
Amount: \$44.00

We are indebted to the member of this Association whose name is shown above, for the amount indicated. This account is past due, in fact, overdue for some months.

You were extended a high compliment by our member when he indicated his faith in your integrity by accepting your account. For, credit is nothing but faith in the honesty of the buyer, based on the understanding that he will pay his bills when they're due.

Now, as is customary, this member has reported your account to this office, with the information that he has not been able to secure collection.

Before taking any action on this account, we want to give you an opportunity to keep your credit record clear by paying this bill within the next ten days. If it is not paid, in that time we will have to proceed with collection, according to our member's instructions.

Won't you kindly arrange to take care of this account immediately and show that you appreciate the courtesy extended you?

Sincerely,  
RETAIL CREDIT MEN'S NATIONAL ASSN.  
*J. J. Moller*  
Executive Secretary.

P. S. Make all payments and address all communications to the member whose name is shown above.

**Organized for the Promotion of Retail Merchants**

**Collection**

May 20, 1935  
Referring to account of:  
Smith, Brown & Co.  
1408 Blank Avenue  
St. Louis City, S. M.  
Amount: \$44.00

Mr. John Doe  
5018 So. Main Avenue  
St. Louis City, S. M.

Your failure to respond favorably to our previous communications indicates that you are indifferent to your obligations to pay the above account.

You are hereby given our LAST and FINAL NOTICE that unless this account is paid or satisfactorily adjusted on or before the date shown above, our attorneys will take action to secure judgment, with lawful interest, together with all costs and disbursements of the action.

Yours truly  
RETAIL CREDIT MEN'S NATIONAL ASSN.  
*J. J. Moller*  
Executive Secretary.

P. S. Make all payments and address all communications to the member whose name is shown above.

**Organized for the Promotion of Retail Merchants**

**No. 2**

Fill in this stub, tear it out, and file it with the letter to the debtor after this letter is mailed.

**COLLECTION RECORD**  
(Letter No. 2)

Name Mr. John Doe  
Address 5018 So. Main Ave.  
Amount \$44.00  
Letter No. 2 sent May 10, 1935

**Service Division**  
**Retail Credit Men's National Association**  
Local Organization and Member in all parts of U.S.A.  
Executive Office  
Saint Louis

**Collection Department**

May 10, 1935  
Referring to account of:  
Smith, Brown & Co.  
1408 Blank Avenue  
St. Louis City, S. M.  
Amount: \$44.00

Your attention is again directed to the above account.

We have had merchandise, services, consideration and loaning from your member, and yet you have not responded to his request, nor to our, for a settlement of this account.

We are a National Association, organized for the protection of retail merchants. Its purpose is to give our members full protection against our entire membership.

At the same time it is our desire to protect you, too, against the risk that follow a "post-pay" record.

We credit you wherever it is proper.

Future action is urged.

**No. 3**

Fill in this stub, in your record, and file with your other correspondence on this account.

**COLLECTION RECORD**

Name Mr. John Doe  
Address 5018 So. Main Ave.  
Amount \$44.00  
Forwarded for Collection to R. C. M. N. A. May 20, 1935

**ACCOUNT FOR COLLECTION**

Retail Credit Men's National Association,  
St. Louis, Missouri.

The following claim is forwarded to you for collection. Three copies of itemized bills are attached.

Date May 20, 1935

NAME OF DEBTOR Mr. John Doe AMOUNT \$44.00

NAME OF HUSBAND OR WIFE Mary L.

RESIDENCE ADDRESS 5018 So. Main Avenue, St. Louis City, S. M.

BUSINESS ADDRESS 1718 Blank Avenue

OCCUPATION Bookkeeper

EMPLOYED BY Richard Doe & Co.

ADDRESS Room in wife's home—has bank account at 1408 National Road

Respectfully,  
Firm Name Smith, Brown & Co.  
By M. L. Brown, Treasurer  
Street Address 1408 Blank Avenue  
City St. Louis City  
State S. M.

Ten days after sending out letter No. 3, if payment has not been received, this blank should be filled out and sent in to our National Office, Equitable Bldg., St. Louis, Mo.

BE SURE TO ATTACH THREE COPIES OF YOUR ITEMIZED BILLS TO THIS FORM.

The Collection Forwarding Blank (above) can be sent direct to the National Office or your local bureau, whichever you prefer.

# \$1347.52 Collected

## From 75 Accounts!

**A New Record For the 4-Point System—\$1347.52 Collected from 75 Accounts!**

Here's a letter that, with its accompanying adding machine slip, tells the story of 4-Point effectiveness in terms of dollars and cents: Twenty-seven out of seventy-five accounts—NEARLY FIFTY PER CENT—paid in full; eighteen more made partial payments; four more made promises to pay; and the total amount collected (see letter) was \$1,347.52!

### Successful Everywhere

This is not by any means an exceptional case. We have on file in the National Office letters from every part of the Country giving concrete evidence of the astounding collecting power of the 4-point System. Right in your own state—probably in your own city—we can point to a successful user.

### That's Why We Can Say: Try It At Our Risk

Buy it. Use it—according to instructions—on 100 old accounts. If it doesn't collect at least \$10.00 for you, we'll refund the purchase price!

### Price \$10.00 Postpaid

### Order It Now—You Can't Lose

P. S. During the eight months we have been making this offer not a single System has been returned.

## Retail Credit Men's National Association

Equitable Bldg.

St. Louis

### Use this coupon

Retail Credit Men's National Ass'n  
Equitable Building, St. Louis, Mo.

Enter my order for one complete R. C. M. N. A. 4-Point Collection System. Send bill for \$10.00 to the address below.

I agree to use the system according to instruction—on 100 accounts. If it fails to collect at least \$10.00 you are to refund purchase price.

Name \_\_\_\_\_

Title \_\_\_\_\_

Firm Name \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_

**The BROWN-DUNKIN D.C.C.**  
TOLSA, OKLA.  
May 5th 1935

Mr. D. J. Woodlock, Secretary,  
Retail Credit Men's National Ass'n.,  
Equitable Bldg.,  
St. Louis, Mo.

Dear Mr. Woodlock:

In reply to your request, we are giving you below a report on the results obtained from the 4-point collection letters as our records show them to date:

1900	#1 Letters mailed April 14th - - - - - 75
2238	Accounts paid in full - - - - - 27
2300	"    partially paid - - - - - 18
1831	"    promises to pay - - - - - 4
2500	Adjustments made - - - - - 1
3000	Letters returned (incorrect addresses) 4
2000	Letters ignored - - - - - 20
850	Customers pinched for bootleggin' - - - 1
3500	
1245	
300	
1810	#2 Letters mailed April 26th - - - - - 18
1000	Accounts paid in full - - - - - 9
1496	
5000	Amount collected to date - - - \$1,347.52.
9434	
2000	
4276	
5647	
1200	
1800	
1805	
1257	
1168	
1410	
700	
2580	
3364	
7199	
1200	
1000	
4037	
21750	
1541	
2336	
2450	
1000	
1274	
980	
1500	
3024	
1157	
500	
4671	
5370	
5000	
1,347.52*	

The writer thinks that the above record shows that we wisely invested our \$10.00 and heartily recommend the 4-point service to any member considering its use.

Sincerely yours,  
Marron A. Lile  
Department of Accounts

### What It Contains

1. One hundred No. 1 Letters, informing the debtor that his account has been reported to the National Association as unpaid and suggesting that he pay you—WITHIN TEN DAYS. All the letters are arranged so you can fill in your own name and address and a postscript instructs the debtor to make all payments DIRECT TO YOU.
2. Seventy-five No. 2 Letters. This letter demands immediate action from your debtor.
3. Fifty No. 3 Letters. No. 3 is a definite final notice that unless your account is paid in ten days, our attorneys will take action to collect your account.
4. Fifty Collection Forwarding Blanks. On these blanks you are to send to us (OR TO YOUR LOCAL BUREAU IF YOU PREFER) detailed information on such accounts as the letters fail to collect. These we immediately forward to our bureau in your locality (if we have one) or to our nearest bonded attorney who will make collection on the usual collection fee basis.

### Other Material

A complete instruction sheet is included with every system. Also, a valuable appendix, chock-full of important information, "Things the Credit Man Should Know." A complete digest of the laws of the various states, covering bankruptcy, garnishments, mortgages, judgments, exemptions, etc.

A convenient, easily accessible display of all forms commonly used in credit and collection procedure—including standard application blanks, lease or conditional sale contracts, chattel mortgages, bankruptcy "proof of debt" forms, etc.



## The Watchman at the Gate

(Continued from Page 15.)

Under this topic we ought also to consider the methods used in inducing customers to reopen accounts by sending them attractive advertising and tactfully worded letters.

Work of this kind always pays because many inactive accounts become active accounts when any systematic campaign of this kind is carried on. There is no doubt or gamble about it. It has been tried out again and again and results are always positive.

Under the second comparison I am sure that our experience has taught us that altho much detail may be omitted in the opening of an account, yet we are most fully protected by the greatest amount of information secured when the application is made. There is nothing which takes the place of this. Even though several good commercial references be given, still the names of parents or relatives or friends should be secured, for many is the time when some such name as this has been the clue that found for us the correct address of the customer who forgot to tell us when he moved.

I often note on the record card a partial description of the person opening the account, such as build, height, complexion or any outstanding feature of personality or appearance for use in identification at some later date. In other words we can not have too much data on our record card. This last sentence covers the whole question in a nutshell.

Now we come to the far sighted vision of the searcher for new customers. The reaching out toward the horizon for new business which every firm must have or close its doors. Do you believe in soliciting new accounts? If so, you have perhaps discovered that there is an almost unlimited number of ways in which this can be done.

One plan which has given my own organization complete satisfaction was started through first securing from the cashiers of all banks within a radius of forty or fifty miles the names of the other officials of the bank together with the directors and their home addresses. A special letter on special stationery is sent to say that an account has been opened in their name and expresses the hope that they will feel free to use the privilege at any time. Real results came at once and have continued to come throughout the two years since this was first tried.

The telephone book is an excellent source of prospects. When a list has been selected it is wise to have it checked by the local rating bureau and doubtful

risks eliminated. The balance may be invited to use an account.

The newspaper should be watched at all times to ascertain the names of individuals coming into the locality to fill executive or other good positions. Quick courtesy of this kind impresses a person and will engender an interest and friendship in the store which will be lasting through the years. Lists may be secured from the commercial rating books and invitations sent to members of firms whose commercial ratings are beyond question.

In the recent book entitled "The Retail Charge Account" by Frederick W. Walter and prepared with the assistance of a committee from the Associated Retail Credit Men of New York City, there is a chapter which is especially interesting and closely related to this

subject of soliciting new accounts. It has to do with Feminine Psychology.

Among other statements he says that every woman prefers to be treated as an individual and it is a mistake to appeal to her as a number of a group or class. Therefore, the letter must carry a personal appeal and must appear to be personally addressed. It should also be written on distinctive stationery showing some degree of refinement. He further states that the woman is appreciative of an appeal to her judgment and that the effectiveness of a letter to a woman will depend largely upon what it suggests rather than what it actually states.

In these days of competition salesmen reach out for sales and the Credit Man must reach out for accounts because statistics show that the amount of the average charge transaction is more than three times the amount of the average cash transaction.

(Continued on Page 32.)

### Holding Up Whole Line!



# Important Government Ruling Regarding Income Tax on Installment Sales

(T. D. 3921)

## Income Tax

Sales of personal and real property on installment plan and deferred-payment sales of real property not on installment plan.

**TREASURY DEPARTMENT,**  
Office of Commissioner of Internal Revenue, Washington, D. C.

### TO COLLECTORS OF INTERNAL REVENUE AND OTHERS CONCERNED:

Sections 212 (d), 232, and 1208 of the Revenue Act of 1926 pertaining to sales of personal and real property provide as follows:

"SEC. 212 (d). Under regulations prescribed by the Commissioner with the approval of the Secretary, a person who regularly sells or otherwise disposes of personal property on the installment plan may return as income therefrom in any taxable year that proportion of the installment payments actually received in that year which the total profit realized or to be realized when the payment is completed, bears to the total contract price. In the case (1) of a casual sale or other casual disposition of personal property for a price exceeding \$1,000, or (2) of a sale or other disposition of real property, if in either case the initial payments do not exceed one-fourth of the purchase price, the income may, under regulations prescribed by the Commissioner with the approval of the Secretary, be returned on the basis and in the manner above prescribed in this subdivision. As used in this subdivision the term 'initial payments' means the payments received in cash or property other than evidences of indebtedness of the purchaser during the taxable period in which the sale or other disposition is made."

"SEC. 232. In the case of a corporation subject to the tax imposed by section 230 the term 'net income' means the gross income as defined in section 233 less the deductions allowed by sections 234 and 206, and the net income shall be computed on the same basis as is provided in subdivisions (b) and (d) of section 212 or in section 226. In the case of a foreign corporation or of a corporation entitled to the benefits of section 262 the computation shall also be made in the manner provided in section 217."

"SEC. 1208. The provisions of subdivision (d) of section 212 shall be re-

troactively applied in computing income under the provisions of the Revenue Act of 1916, the Revenue Act of 1917, the Revenue Act of 1918, the Revenue Act of 1921, or the Revenue Act of 1924, or any of such Acts as amended. Any tax that has been paid under such Acts prior to the enactment of this Act, if in excess of the tax imposed by such Acts as retroactively modified by this section, shall, subject to the statutory period of limitations properly applicable thereto, be credited or refunded to the taxpayer as provided in section 284."

### Sale of Personal Property on Installment Plan

Dealers in personal property ordinarily sell either for cash or on the personal credit of the purchaser or on the installment plan. Dealers who sell on the installment plan usually adopt one of four ways of protecting themselves in case of default:

(a) By an agreement that title is to remain in the vendor until the purchaser has completely performed his part of the transaction;

(b) By a form of contract in which title is conveyed to the purchaser immediately, but subject to a lien for the unpaid portion of the purchase price;

(c) By a present transfer of title to the purchaser, who at the same time executes a reconveyance in the form of a chattel mortgage to the vendor; or

(d) By conveyance to a trustee pending performance of the contract and subject to its provisions.

The general purpose and effect being the same in all of these cases, the same rule is uniformly applicable. The rule prescribed is that a person who regularly sells or otherwise disposes of personal property on the installment plan, whether or not title remains in the vendor until the property is fully paid for, may return as income therefrom in any taxable year that proportion of the installment payments actually received in that year which the total or gross profit (that is, sales less cost of goods sold) realized or to be realized when the property is paid for, bears to the total contract price. Thus the income of a dealer in personal property on the installment plan may be ascertained by taking as income that proportion of the total payments received in the taxable year from installment sales (such payments being allocated to the year against the sales of which they apply), which

the total or gross profit realized or to be realized on the total installment sales made during each year bears to the total contract price of all such sales made during that respective year. No payments received in the taxable year shall be excluded in computing the amount of income to be returned on the ground that they were received under a sale the total profit from which was returned as income during a taxable year or years prior to the change by the taxpayer to the installment basis of returning income. Deductible items are not to be allocated to the years in which the profits from the sales of a particular year are to be returned as income, but must be deducted for the taxable year in which the items are paid or incurred or paid or accrued, as provided by section 200 (d) of the Revenue Act of 1926.

In the case of a casual sale or other casual disposition of personal property for a price exceeding \$1,000, income may be returned on the installment basis provided the payments received in cash or property other than evidences of indebtedness of the purchaser during the taxable year in which the sale or other disposition is made do not exceed one-fourth of the purchase price.

If the vendor chooses as a matter of faults in any of his payments, and the vendor returning income on the installment basis repossesses the property, the entire amount received on installment payments and retained by the vendor, less the profits previously returned as income, will be income of the vendor for the year in which the property is repossessed, and the property repossessed must be included in the inventory of the vendor at its original cost, less proper allowance for damage and use, if any.

If the vendor chooses as a matter of consistent practice to return the income from installment sales on the straight accrual or cash receipts and disbursements basis, such a course is permissible.

The foregoing provisions shall be retroactively applied in computing income from the sale of personal property under the Revenue Acts of 1916, 1917, 1918, 1921, and 1924, or any such acts as amended. Any dealer in personal property on the installment plan whose books of account contain adequate information and were kept so that income can be accurately computed on the installment basis may file amended returns accordingly, and the excess of the amount of any tax previously paid over the tax as computed on the installment

basis as herein provided shall, subject to the statutory period of limitations properly applicable thereto, be credited or refunded.

### **Sale of Real Property in Lots**

Where a tract of land is purchased with a view to dividing it into lots or parcels of ground to be sold as such, the cost or other basis shall be equitably apportioned to the several lots or parcels and made a matter of record on the books of the taxpayer, to the end that any gain derived from the sale of any such lots or parcels which constitutes taxable income may be returned as income for the year in which the sale is made. This rule contemplates that there will be a measure of gain or loss on every lot or parcel sold, and not that the capital in the entire tract shall be extinguished before any taxable income shall be returned. The sale of each lot or parcel will be treated as a separate transaction, and gain or loss computed accordingly.

### **Sale of Real Property Involving Deferred Payments**

Under section 212 (d) of the Revenue Act of 1926 deferred-payment sales of real property fall into two classes when considered with respect to the terms of sale, as follows:

(1) Sales of property on the installment plan, that is, sales in which the payments received in cash or property other than evidences of indebtedness of the purchaser during the taxable year in which the sale is made do not exceed one-fourth of the purchase price.

(2) Deferred-payment sales not on the installment plan, that is, sales in which the payment received in cash or property other than evidences of indebtedness of the purchaser during the taxable year in which the sale is made exceed one-fourth of the purchase price.

Sales falling within class (1) and class (2) alike include (a) agreements of purchase and sale which contemplate that a conveyance is not to be made at the outset, but only after all or a substantial portion of the purchase price has been paid, and (b) sales where there is an immediate transfer of title, the vendor being protected by a mortgage or other lien as to deferred payments.

In the sale of mortgaged property, the amount of the mortgage, whether the property is merely taken subject to the mortgage or whether the mortgage is assumed by the purchaser, shall not be considered as a part of the "initial payments" or of the "total contract price," but shall be included as part of the "purchase price," as those terms are used in section 212 (d) of the Revenue

Act of 1926 and in this Treasury Decision. Commissions and other selling expenses paid or incurred by the vendor are not to be deducted or taken into account in determining the amount of the "initial payments," the "total contract price," or the "purchase price."

### **Sale of Real Property on Installment Plan**

In transactions included in the first class of deferred-payment sales the vendor may return as income from such transactions in any taxable year that proportion of the installment payments actually received in that year which the total profit realized or to be realized when the property is paid for bears to the total contract price.

If for any reason the purchaser defaults in any of his payments, and the vendor returning income on the installment basis repurchases the property, the entire amount received on installment payments and retained by the vendor, less the sum of the profits previously returned as income and an amount representing proper adjustment for exhaustion, wear and tear, obsolescence, amortization, and depletion of the property while in the hands of the purchaser, will be income of the vendor for the year in which the property is repossessed, and the basis of the property in the hands of the vendor will be the original basis at the time of the installment sale.

If the vendor chooses as a matter of consistent practice to return the income from installment sales on the straight accrual or cash receipts and disbursements basis, such a course is permissible, and the sales will be treated as deferred-payment sales not on the installment plan.

### **Deferred-Payment Sales of Real Property Not on Installment Plan**

In the second class of deferred-payment sales the obligations of the purchaser received by the vendor are to be considered as the equivalent of cash to the amount of their fair market value in ascertaining the profit or loss from the transaction.

If the vendor had retained title to the property and the purchaser defaults in any of his payments, and the vendor repurchases the same by agreement or process of law, the difference between (1) the entire amount of the payments actually received on the contract and retained by the vendor and (2) the sum of the profits previously returned as income in connection therewith and an amount representing proper adjustment

for exhaustion, wear and tear, obsolescence, amortization and depletion of the property while in the hands of the purchaser, will constitute gain or loss, as the case may be, to the vendor for the year in which the property is repossessed, and the basis of the property in the hands of the vendor will be the original basis at the time of the sale. If the vendor had previously transferred title to the purchaser, and the purchaser defaults in any of his payments and the vendor reacquires the property, such repossession shall be regarded as a transfer by the vendor, in exchange for the property, of so much of the face value of the purchaser's obligations as are applied by the vendor to the purchase or bid price of the property. Such an exchange will be regarded as having resulted in the realization by the vendor of gain or loss, as the case may be, for the year of repossession, measured by the difference between the fair market value of the property and the face value of those obligations of the purchaser which were applied by the vendor to the purchase or bid price of the property to the extent that the fair market value thereof was previously recognized in computing income. The fair market value of the property shall be presumed to be the amount for which it is bid in by the vendor in the absence of clear and convincing proof to the contrary. If the property so acquired is subsequently sold, the basis for determining gain or loss is the fair market value of the property at the date of acquisition.

If the obligations received by the vendor have no fair market value, the payments in cash or other property having a fair market value shall be applied against and reduce the basis of the property sold, and, if in excess of such basis, shall be taxable to the extent of the excess. Gain or loss is realized when the obligations are disposed of or satisfied, the amount being the difference between the reduced basis as provided above and the amount realized therefor.

### **Retroactive Application**

The provisions of this Treasury Decision shall be retroactively applied in computing income under the Revenue Acts of 1916, 1917, 1918, 1921, and 1924, or any of such acts as amended, in accordance with section 1208 of the Revenue Act of 1926.

All rulings inconsistent herewith are hereby revoked.

C. R. NASH,

Acting Commissioner of Internal Revenue.

APPROVED August 27, 1926.

GARRARD B. WINSTON,  
Acting Secretary of the Treasury.



# The Effect of Installment Selling on the Buying Power of the Public

(Continued from Page 6.)

and afforded a continuous market for its services, as well as the unbroken employment of capital.

Our next point of inquiry deals with what labor receives for its efforts and what is the buying power of the dollar in relation to the commodity for which it will be exchanged. The answer, obviously, is that quantity production reduces costs and enhances the buying power of wages. The wages of quantity production should, and I believe they do, more than offset the additional cost to the consumer of the privilege of deferred payments.

It is sometimes contended that, although labor may be continually employed and the money received for labor may have a satisfactory buying power, it does not necessarily follow that the wage earner improves his condition proportionately because the additional profit is diverted into surplus profits of the manufacturer; but we have the safeguard that if labor receives the minimum compensation that will induce it to continue to produce, and, providing that profits are to be reinvested in further production rather than distributed properly between wages and interest, then, production will increase more rapidly than the standard of living can be raised to provide a market for the increased production, because demand is dependent on wages or buying power. When this condition exists, it will induce a period of depression or bad times until the wage earner receives just compensation in proportion to his efficiency.

The wealth or buying power of the public is further augmented by the opportunity through installment buying of accumulating productive capital by the purchase of industrial stocks and bonds. This is reflected by the fact that the three largest industrial corporations in the country—The United States Steel Corporation, the American Telegraph and Telephone Company and the Standard Oil Company—have a total of 123,670 employees owning stock, a large part of which was purchased on installments. It is a fact that, without the opportunity of making these purchases on installment and becoming stockholders, the average wage earners would not have been able to purchase the stock they own. A further reaction is that labor is encouraged towards thrift and the employer receives greater efficiency and is subject to less loss from labor disturbances from the better industrial relations established.

Those of you who contend that installment sales have not unbalanced the

family budget are further upheld by the reports indicating the increased volume of cash business of mail order houses, savings deposits, theatre and confectionery receipts, the volume of life insurance written; none of which reflects any disadvantage from the inroads of installment sales in other lines.

It seems that the judgment of the American people is still well balanced. They are the final arbiters of how their income is to be spent, and, although they have evidenced their ability to improve their standard of living conditions, we can deduce, from the former facts, that their desires are well within their control and ability to pay. So, it seems that the "Calamity Howler" need not worry, because we are all apparently rolling in the lap of deferred prosperity through the use of the easy postponement plan, or become unduly alarmed that the cash resources of the country will finally gravitate to the street car companies or the chain stores simply because they do a strictly cash business.

In closing, I believe that you will all agree with me that any development of modern business that tends to insure good times, (which are a reflection of the proper adjustment of the laws of production and consumption, supply and demand), without jeopardizing the thrift or accumulating ability of the ordinary citizen, is a balance wheel of the business cycle.

The demand created by installment sales is a great factor in the leveling of the peaks of prosperity, as well as in the elimination of the chasm of business depression. Like every other powerful force, it must be controlled in order that its effects may be constructive. I believe that it has, under proper control, the tendency to increase efficiency, keep capital steadily employed, labor continually engaged and reduce the cost to the consumer.

I believe, also, that it will eventually create a new meaning for the terms, capital and labor, because of the opportunity that it affords the wage earner to become a stockholder, and, above all, it is worthy of our respect if it be the means of improving the standard of the American home, which, after all, is the foundation of our national existence. (Applause.)

*We Are Glad You Placed Your*

## TRUST IN PROVIDENCE

*You Will Be Glad too—  
in August 1927*

## PROVIDENCE

*The Southern Gateway of New England*

### The Bank's Viewpoint of Installment Selling

(Continued from Page 12.)

Throughout the years, there has always been a dread of something about to happen in business, particularly during periods of prosperity and apparent over-expansion, but, as a general rule, calamity has been avoided, and I believe this is due to the fact that the great minds in business are desirous of avoiding losses for themselves and are quite capable, as time goes on, of correcting dangerous evils as they appear.

The conditions disclosed by the national investigations which have been undertaken recently by a great many important trade bodies, including the Economic Policy Commission of the American Bankers Association, do not appear to have caused alarm, so long as sound methods of credit-granting are pursued. My own investigation leaves me convinced that installment sales are a great benefit, but I want again to emphasize, in conclusion, the urgent need for complete investigation of the credit, capacity and the character of the debtor, and that terms be of not too long duration. (Applause.)

### The President's Message

(Continued from Page 10.)

pose of the National Association is "membership drives" without rendering a real service—must admit that the thought is erroneous.

Rendering the service I have set forth and improving upon it each day, makes it imperative that the credit grantor know himself, know his requirements and make those requirements known.

To carry on this work to a successful termination requires members. No business can stand still, it must show a material gain each year. So it is with the National Association. We now have 14,000 members mainly the result of the work of a few enthusiastic members who appreciate the fact, numbers add strength to the organization and increase its ability to serve. Shall we be satisfied and try to stand still and hold these members or shall we continue to push onward and upward to a greater and bigger organization, rendering bigger and greater service to our members?

It would, indeed be helpful if each member would answer this question.

*E. J. Heenan*

### Report of Annual Convention of Missouri Retail Merchants' Association

By Gilbert F. Jones, Mgr., Sedalia  
Credit Exchange, Sedalia, Mo.

The Retail Credit Men's National Association was well represented in the person of David J. Woodlock at the three-day annual convention of the Missouri Retail Merchants' Association held at Sedalia, Missouri, September 27th, 28th and 29th.

The main feature of this convention was a banquet at Convention Hall, Liberty Park, Monday Evening, September 27th. It was on this program that "Dave" told those present "Who's Who and What's What on Credits."

The Missouri Retail Merchants' Association is composed principally of grocers and meat dealers from all parts of the state, and as we are all generally agreed, it is this class of retailers that needs to know more about cooperation on credits. What more opportune time could there have been to talk to them collectively?

As a rule, it is hard to get the grocer to leave his store long enough to attend a credit meeting, or any other kind for that matter, but on this occasion, and in spite of the inclement weather, more than three hundred were present.

The universal benefits of credit; how credit losses are being held to a negligible figure in communities using centralized information; the aims and accomplishments of the Retail Credit Men's National Association and its Service Division, were the high-points in "Dave's" Message.

Many were the retailers present, especially from the small towns, who returned to their communities with some real constructive ideas, and who, now truly sold on the intelligent extension of credit, see the wisdom of organizing local associations and will take the lead in the work.

The Missouri Retail Merchant's Association and the retailers of Sedalia are indebted to Mr. Woodlock and the Retail Credit Men's National Association for his services. It was indeed a real pleasure to have "Dave" with us. May the retailers of the State repay the courtesy with a goodly number of National members.

### The Watchman at the Gate

(Continued from Page 28.)

When all is said and done about watchfulness by the individual for his firm we are thankful that the selfishness and distrust of the middle ages are passing away and that credit grantors can get together and exchange information and experiences without danger of a stab in the back. Mr. Berton Braley has well expressed it when he says—

"Business is business," but men are men  
Loving and working, dreaming,  
Toiling with pencil or spade or pen,  
Roistering, plaining, scheming.

"Business is business," but he's a fool  
Whose business has grown to smother  
His faith in men and the golden rule,  
His love for a friend and brother.

"Business is business," but life is life  
Though we're all in the game to win it,  
Let's rest sometime from the heat and  
strife

And try to be friends for a minute.

Let's seek to be comrades now and then,  
And slip from our golden tether;  
"Business is business," but men are men,  
And we're all good pals together.

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